

**PUBLIC
SERVICE
COMMISSION
OF MISSOURI**

Annual Report

1997



Commissioners

SHEILA LUMPE
Chair

HAROLD CRUMPTON

CONNIE MURRAY

M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

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Executive Secretary

WESS A. HENDERSON
Director, Utility Operations

GORDON L. PERSINGER
Director, Advisory & Public Affairs

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLIAS
Director, Administration

DALE HARDY ROBERTS
Chief Administrative Law Judge

DANA K. JOYCE
General Counsel

December 8, 1997

The Honorable Mel Carnahan
Governor
State Capitol Building
Jefferson City, Missouri 65101

Dear Governor Carnahan:

At no other time in the history of the Missouri Public Service Commission has there been as much change in the industries that we regulate. During the past year, local telephone markets have been opened to competition. Changes continue to occur in how natural gas companies are regulated and a task force developed by the Commission is examining electric policy issues as they relate to changes in the traditional way of regulating electric companies.

The beneficiaries of this activity should be Missouri consumers. They will have the ability to make more choices in utility services to meet their individual needs. Consumers are seeking more from the utilities that serve them. They seek a voice in who provides them service and they want the benefits of competition without the hassles.

These are challenging, yet exciting, times as we continue to strive to assure that the most efficient, safe and affordable utility services reach Missouri consumers. We continue to dedicate ourselves to fulfilling the public interest goals and to working with companies in an open and constructive manner. As a means of meeting our challenges today as well as in the future, the Commission has undergone some reorganization which is detailed in this report.

As our annual report indicates, it has been an unprecedented year of activity at the Commission. I am pleased to submit to you this annual report which sets forth in detail, the Commission's work for the 1997 fiscal year (July 1, 1996-June 30, 1997).

Respectfully yours,

A handwritten signature in cursive script that reads "Sheila Lumpe".

Sheila Lumpe, Chair

PUBLIC SERVICE COMMISSION



From left to right, Commissioner Harold Crumpton, Vice Chair M. Dianne Drainer, Commissioner Karl Zobrist, Chair Sheila Lumpe, and Commissioner Connie Murray.

MISSOURI PUBLIC SERVICE COMMISSION

SHEILA LUMPE, CHAIR

M. DIANNE DRAINER, VICE CHAIR

HAROLD CRUMPTON, COMMISSIONER

CONNIE MURRAY, COMMISSIONER

KARL ZOBRIST, COMMISSIONER

KENNETH McCLURE, COMMISSIONER

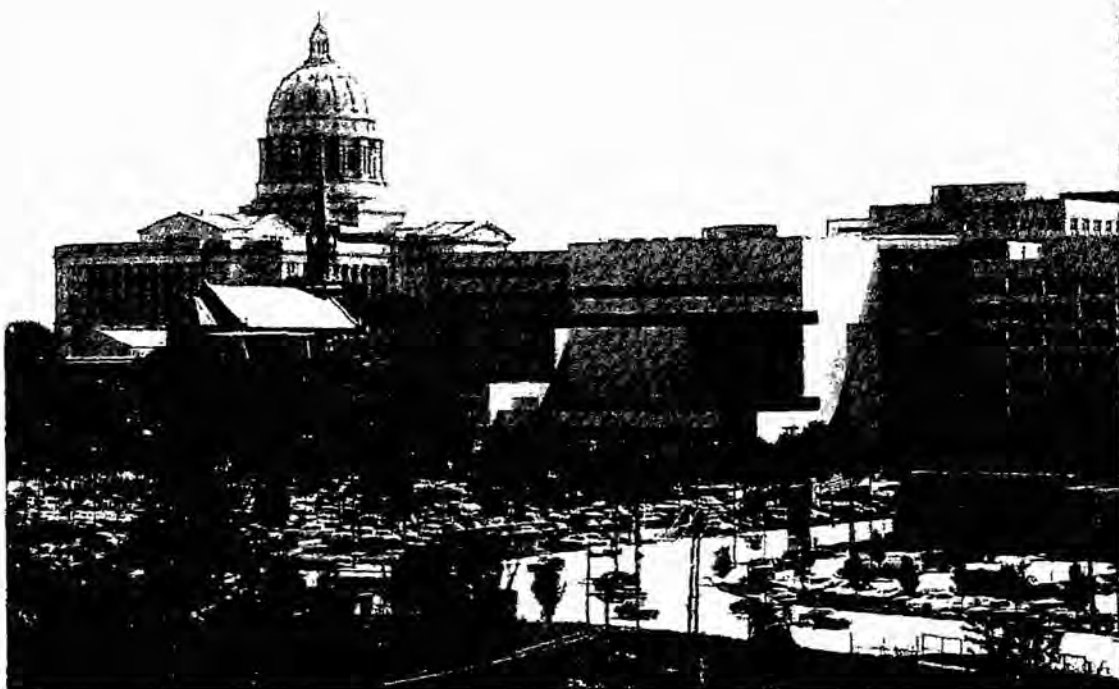
DUNCAN E. KINCHELOE, COMMISSIONER

PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION



State Capitol complex including the Harry S Truman State Office Building (center), Jefferson City, Missouri. Commission offices are located on the 5th and 8th floors.

The Public Service Commission regulates investor-owned public utilities operating in the State of Missouri. It is responsible for ensuring that consumers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the utility companies' shareholders the opportunity to earn a reasonable return on their investment. The Commission must balance a variety of competing private interests to ensure the overall public interest.

JURISDICTION AND GOALS

The PSC was established in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. The PSC regulates the rates, practices and operations of the state's 882 investor-owned electric, natural gas, telephone, water and sewer utilities. The Commission also regulates the state's 48 rural electric cooperatives and 40 municipally-owned natural gas utilities for operational safety, and the manufacturers and dealers of mobile/ modular homes and recreational vehicles. The Missouri PSC is the only public utility commission in the United States that regulates manufactured housing.

The Commission oversees service territory issues involving rural electric cooperatives and municipally-owned electric utilities. The PSC also acts as mediator and arbitrator of local telephone service disputes regarding interconnection agreements in

accordance with federal law.

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Historically, these utilities have provided service under a monopoly granted to them by law. Although recent changes in federal and state law are designed to introduce competition into the local telephone market, that market remains today a de facto monopoly. Utilities providing natural gas, electric, water and sewer service continue as legally franchised monopolies. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the Commission must assure the ratepaying public that quality services will be available on a nondiscriminatory basis at just and reasonable rates.

COMMISSIONERS

The Commission consists of five commissioners who are appointed by the Governor with the advice and consent of the Missouri Senate. The Governor designates one member as the Chairman who serves in that capacity at the pleasure of the Governor.

Commissioners are appointed to six-year terms. These terms are staggered so no more than two

MISSION



Commissioners thoroughly review the record as they reach decisions during Agenda sessions.

PUBLIC SERVICE COMMISSION



Staff member Jennifer Sochinski testifies in a case before the Commission.

terms expire in any given year.

The Commission is both quasi-judicial and quasi-legislative. The Commission is responsible for deciding cases brought before it and for the promulgation of administrative rules and their enforcement. Many of the Commission's duties are performed by conducting hearings in contested cases, which by statute must be transcribed by a court reporter. Hearings are conducted in a trial-like atmosphere using evidentiary standards under the Missouri Administrative Procedure Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and to comply with statutory time limits.

THE PSC STAFF

The Commission is assisted by its staff of professionals in the fields of engineering, management, accounting, law, finance, economics, and consumer affairs. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The Staff participates as a party in cases filed before the PSC. It conducts audits of utilities and makes recommendations to the Commission. The recommendations of the PSC Staff, like those filed by other parties to a proceeding, are used by the Commission in reaching a decision in a complaint or rate case. The PSC has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of

utilities are conducted by the Staff to ensure compliance.

COMMISSION REORGANIZATION

On May 9, 1996, Commissioners began examining the PSC organizational structure in light of the changing regulatory environment. The goal was to make the PSC more efficient in responding to changes occurring in the industries it regulates.

On February 7, 1997, a report was filed which made recommendations in three areas: Organizational Effectiveness; Group Effectiveness; and Personal Effectiveness.

Based upon the report, the Commission made several decisions regarding the status of its reorganization. The most significant decision was the formation of an Advisory Group within the newly created Advisory and Public Affairs Division.

The Advisory Group will provide technical assistance to Commissioners in reviewing state cases and federal matters. The Advisory Group will also work on special projects as directed by Commissioners.

Other organizational shifts involved the Depreciation Department, Economic Analysis and Customer Services. Subsequently, the Commission separated its Energy Department into a Gas Department and an Electric Department.

These changes should bring greater efficiency to the PSC and better prepare it for the transition of regulated industries into a more competitive environment.

SHEILA LUMPE

Chair

Sheila Lumpe is Chair of the Missouri Public Service Commission. She was appointed to the Missouri Public Service Commission on June 5, 1997, by Governor Mel Carnahan.

Prior to her appointment to the Commission, Chair Lumpe was chairman of the House budget committee of the Missouri House of Representatives. A nine term state representative, Ms. Lumpe represented St. Louis County in the Missouri House since first elected in 1980. In addition to her role as chairman of the House budget committee, Ms. Lumpe also served on the following Legislative committees: Elections; Governmental Organization and Review; Joint Committee on Legislative Research; Utilities Regulation; and Ways and Means.

Significant legislative accomplishments include sponsoring bills on developmental disabilities, school districts and personnel, enterprise zones, excellence in education, Head Injury Advisory Council, banks-financial privacy, Women's Economic Development Council, risk pool, personal property assessment lists, mobile homes, termination of guardianship, cost price index tax, clean drinking water, taxation of certain railroad cars and auto emissions.

Chair Lumpe received a baccalaureate degree in government from Indiana University in 1957 and a masters degree in political science from the University of Missouri-St. Louis in 1989.

Chair Lumpe's term expires on April 15, 2003.

COMMISSIONERS

Current Commissioners who served during the 1997 fiscal year



M. DIANNE DRAINER

Vice Chair

M. Dianne Drainer is the Vice Chair of the Missouri Public Service Commission. She was appointed to the Public Service Commission on July 3, 1995, by Governor Mel Carnahan. She was named Vice Chair of the Commission in February 1996.

Prior to her appointment to the Commission, Vice Chair Drainer was Manager of Research and Evaluation for the Missouri Department of Social Services. She previously served as Chief Telecommunications Economist and Public Utility Economist for the Office of the Public Counsel from 1986 to 1991.

Vice Chair Drainer serves as a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Finance and Technology. Commissioner Drainer serves as a member and treasurer to the Mid-America Regulatory Conference (MARC). Previously, she served as an observer to the NARUC Staff Subcommittee on Communications from 1986 to 1991 and was a member of the National Association of State Utility Consumer Advocates (NASUCA) from 1986 to 1991.

Vice Chair Drainer graduated from the University of Missouri-Columbia with a master of science degree in agricultural economics in 1979 and a bachelor of arts degree in economics in 1977.

Vice Chair Drainer's term expires on April 15, 2001.



PUBLIC SERVICE COMMISSION

HAROLD CRUMPTON

Commissioner



Commissioner Harold Crumpton was appointed to the Missouri Public Service Commission on May 3, 1993 by Governor Mel Carnahan.

Prior to his appointment to the Commission, Mr. Crumpton was employed by Southwestern Bell Telephone Company in its Network Operations in St. Louis. There he supervised the development of a major management information system that was deployed throughout the five state region and emulated by other Regional Bell Operating Companies. Mr. Crumpton had been with the telephone company from 1973 until 1992 when he took early retirement to pursue other career interests.

Commissioner Crumpton is a member of the Committee on Gas of the National Association of Regulatory Utility Commissioners (NARUC).

Mr. Crumpton earned his bachelor of science in chemistry from Washington University in St. Louis in 1971. In 1973, he received a M.B.A. in finance and production. He is currently pursuing a masters degree in telecommunications, and certification as a Certified Netware Engineer (CNE).

Commissioner Crumpton's term expires on April 15, 1999.

CONNIE MURRAY

Commissioner



Commissioner Connie Murray was appointed to the Missouri Public Service Commission by Governor Mel Carnahan on May 2, 1997.

Prior to her appointment, Commissioner Murray served as the Representative of the 135th legislative district in the Missouri House of Representatives from 1990 through 1996. She was appointed House Manager of Articles of Impeachment of Missouri Secretary of State before the Missouri Supreme Court in 1994. She served on the following committees: Budget; Judiciary and Ethics; Civil and Criminal Law; Appropriations for Social Services and Corrections; and Accounts, Operations and Finance. She was also treasurer of Women Legislators of Missouri and a member of various national legislative organizations.

Commissioner Murray is a member of the Committee on Water of NARUC.

Commissioner Murray earned her bachelor of arts degree in English literature from Loyola College in Baltimore, Maryland in 1975 and a juris doctorate in 1980 from the University of Maryland School of Law, where she was Notes and Comments Editor of the Law Review.

Commissioner Murray's term expires on April 15, 2003.

Commissioners who also served during the 1997 fiscal year

KARL ZOBRIST

Commissioner

Karl Zobrist was appointed Chair of the Missouri Public Service Commission by Governor Mel Carnahan in January 4, 1996 to fill the balance of a six-year term expiring on April 15, 2001. While at the Commission, Mr. Zobrist played a key role in the passage of Missouri's Telecommunications Reform Act, which was signed into law by Governor Carnahan on May 17, 1996.

Mr. Zobrist resigned on August 15, 1997.



KENNETH MCCLURE

Commissioner

Commissioner Kenneth McClure was appointed to the Missouri Public Service Commission by Governor John Ashcroft on January 3, 1990. In April 1991, Mr. McClure was reappointed to a full six-year term. While at the Commission, Mr. McClure served as its Chairman and Vice Chairman.

Mr. McClure received national recognition for his expertise and understanding of current issues in utility regulation particularly in the area of telecommunications.

Mr. McClure resigned on May 5, 1997.



DUNCAN E. KINCHELOE

Commissioner

Commissioner Duncan Kincheloe was appointed to the Missouri Public Service Commission by Governor John Ashcroft on January 4, 1992.

Mr. Kincheloe served on several committees examining federal electric policy issues and was a frequent speaker at electric policy forums throughout the nation.

Mr. Kincheloe resigned on March 5, 1997.



PUBLIC SERVICE COMMISSION

KEY PERSONNEL

Sheila Lumpe, Chair	751-4221
M. Dianne Drainer, Vice Chair	751-3233
Harold Crumpton, Commissioner	751-0582
Connie Murray, Commissioner	751-4132
Cecil I. Wright, Executive Director	751-3048

Administration Division

Donna M. Kolilis, Director	751-7492
Carol Althoff, Personnel Director	751-7508
Willis Doss, Manager - Computer Information Services	522-4370
James Phillips, Manager-Manufactured Housing Department	751-7119
Dan Redel, Manager - Internal Accounting Department	751-2457

Adjudication Division

Dale Hardy Roberts, Secretary /Chief Regulatory Law Judge	751-2474
Natelle Anna, Manager - Records Department	751-7496

Advisory & Public Affairs Division

Gordon L. Persinger, Director	751-7491
Janet Hoerschgen, Manager - Consumer Services Department	751-3160
Kevin Kelly, Information Officer	751-9300

General Counsel

Dana K. Joyce, General Counsel	751-8705
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Utility Operations Division

Wess Henderson, Director	751-7435
Dale Johansen, Manager - Water and Sewer Department	751-7074
Bo Matisziw, Manager - Gas Department	751-2152
John Van Eschen, Manager - Telecommunications Department	751-5525
Bill Washburn, Manager - Electric Department	751-7505

Utility Services Division

Robert Schallenberg, Director	751-7162
Ron Bible, Manager - Financial Analysis Department	751-8517
Joan Wandel, Manager - Accounting Department	751-4785
David Sommerer, Manager - Procurement Analysis Department	751-4356
Art Wimberley, Manager - Management Services Department	751-7439
David Birenbaum, Manager - Depreciation Department	751-1854

BUDGET

Fiscal Year 1998

PUBLIC SERVICE COMMISSION	
Personal Service and/or Expense and Equipment	\$10,848,779
Full-Time Employee (F.T.E.)	197
DEAF RELAY SERVICE AND	3,500,000 E
EQUIPMENT DISTRIBUTION PROGRAM	
F.T.E.	-0-
MANUFACTURED HOUSING DEPT.	
Personal Service	402,669 [†]
F.T.E.	8
TOTAL	<u>\$14,751,448</u>
F.T.E.	<u>205</u>

E = Open ended appropriation

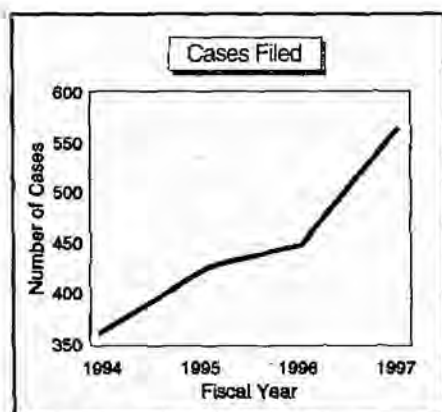
[†] Includes program specific distribution of \$7,935

UTILITY ISSUES



With continuing change in the utility industry, the workload at the Missouri Public Service Commission grows to keep pace. Case and filing statistics have shown a steady increase, while at the same time new legislation, federal agency activity and changing regulation have required a large commitment of resources in order to stay abreast of developments and to influence national policy favorable to Missouri.

New federal regulations in the natural gas and wholesale electric power markets, federal environmental legislation, mergers and acquisitions, and growing competition in telecommunications, natural gas and electricity all account for an increase in the quantity and complexity of the Commission's workload.



TELECOMMUNICATIONS

New technology and open markets continue to bring changes to telecommunications. Because of technological advances, consumers now have greater opportunities to choose the type of telecommunications services that meet their individual needs.

LOCAL TELEPHONE COMPETITION

The Federal Telecommunications Act of 1996 and Missouri Senate Bill 507 opened a number of telecommunications markets to competition, including the local telephone market.

During the past year the Commission has been extremely involved in responding to applications to provide basic local exchange service. These applications also involve the review of interconnection agreements and tariffs. To date, 44 applications to provide basic local exchange service have been filed with the Commission. The Commission has granted 29 certificates and approved 28 interconnection agreements. The Commission has also been involved in arbitrating interconnection agreements between companies. During the past year, nine arbitration cases have been filed with the Commission.

During the 1997 fiscal year, Dial US became the first company to receive Commission approval to provide basic local telephone service in Missouri. Early in 1997, Dial US was providing local telephone service in the Springfield and Joplin areas in competition with Southwestern Bell Telephone Company. Since Dial US, Brooks Fiber, MFS and American Communication Services of Kansas City (ACSI) have completed the process and are providing basic local telephone service in Missouri.

SOUTHWESTERN BELL MEETS STANDARD FOR PRICE CAP REGULATION

The Missouri Public Service Commission determined, on September 16, 1997, that Southwestern Bell meets the standard to become price cap regulated in Missouri.

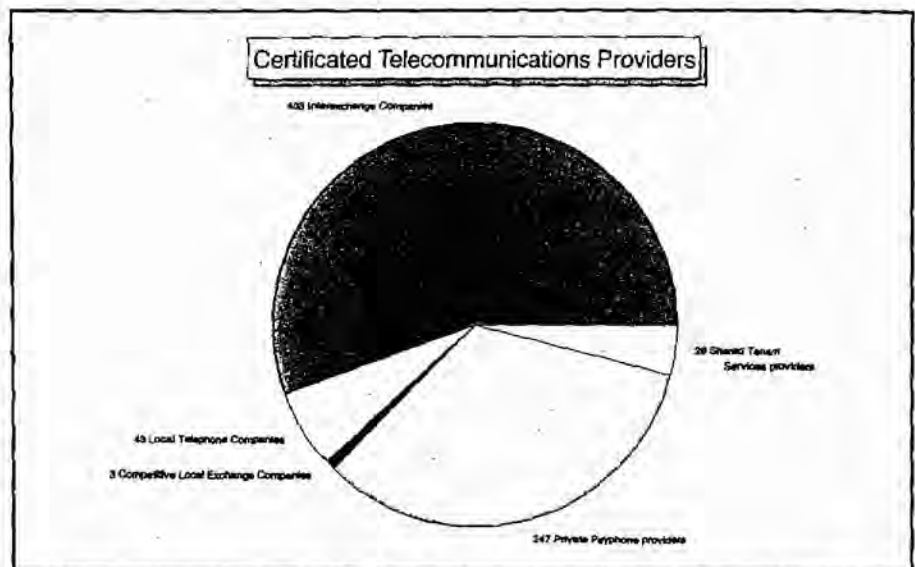
In reaching its decision, the Commission closely examined Senate Bill 507 which was passed by the Missouri General Assembly and signed into law by Governor Mel Carnahan in 1996.

That law provides that a large telephone company such as Southwestern Bell is eligible for price cap regulation when it has been determined by the PSC that an alternative local exchange telecommunications company has been certified to provide basic local telecommunications service and is providing that service in any part of the large incumbent telephone company's service area (Sec. 392.245.2 RSMo).

Evidence presented in the case clearly showed that Dial US was providing local telephone service in the Springfield and Joplin area of Southwestern Bell.

The application of price cap regulation will not exempt a company so regulated from the jurisdiction and oversight of the Public Service Commission.

Under price cap regulation, Southwestern Bell's current rates (those in effect as of December 31, 1996) are the maximum rates Southwestern Bell can charge until January 1, 2000. After that date, prices may increase or decrease according to two relatively conservative government price indexes, which are based on the prices of telephone service throughout the country. This standard should cause rate levels to remain affordable.



PUBLIC SERVICE COMMISSION REMOVES BARRIER TO LOCAL TELEPHONE COMPETITION

In order to encourage improved telecommunications services, to expand customer choices and to further foster the development of local telephone competition, the Missouri Public Service Commission determined that a scarcely used extra-exchange calling program called Community Optional Service (COS) should cease to exist after March 31, 1998. COS, an optional two-way service, was designed to provide a flat-rate option to toll charges for calls between exchanges which meet a community of interest test.

The Commission determined that COS is not necessary for the provision of local telecommunications service and that mandatory COS is inconsistent with the current competitive environment and acts as a barrier to entry for new competitive local exchange companies.

PUBLIC SERVICE COMMISSION

Only 13 percent of eligible customers in all approved COS routes have chosen to subscribe to COS. As a result, the Commission noted, only one-half of one percent of all telecommunications customers in Missouri avail themselves of COS.

INTRALATA PRESUBSCRIPTION

During the past year, several cases were established to examine the issue of consumers' choice of their intraLATA long distance telecommunications service providers. IntraLATA presubscription allows consumers to select the carrier to handle 1+ intraLATA calling. Presently most consumers in Missouri do not have this choice as intraLATA calling is handled through an assigned carrier for each telephone exchange. During the past year, the Commission

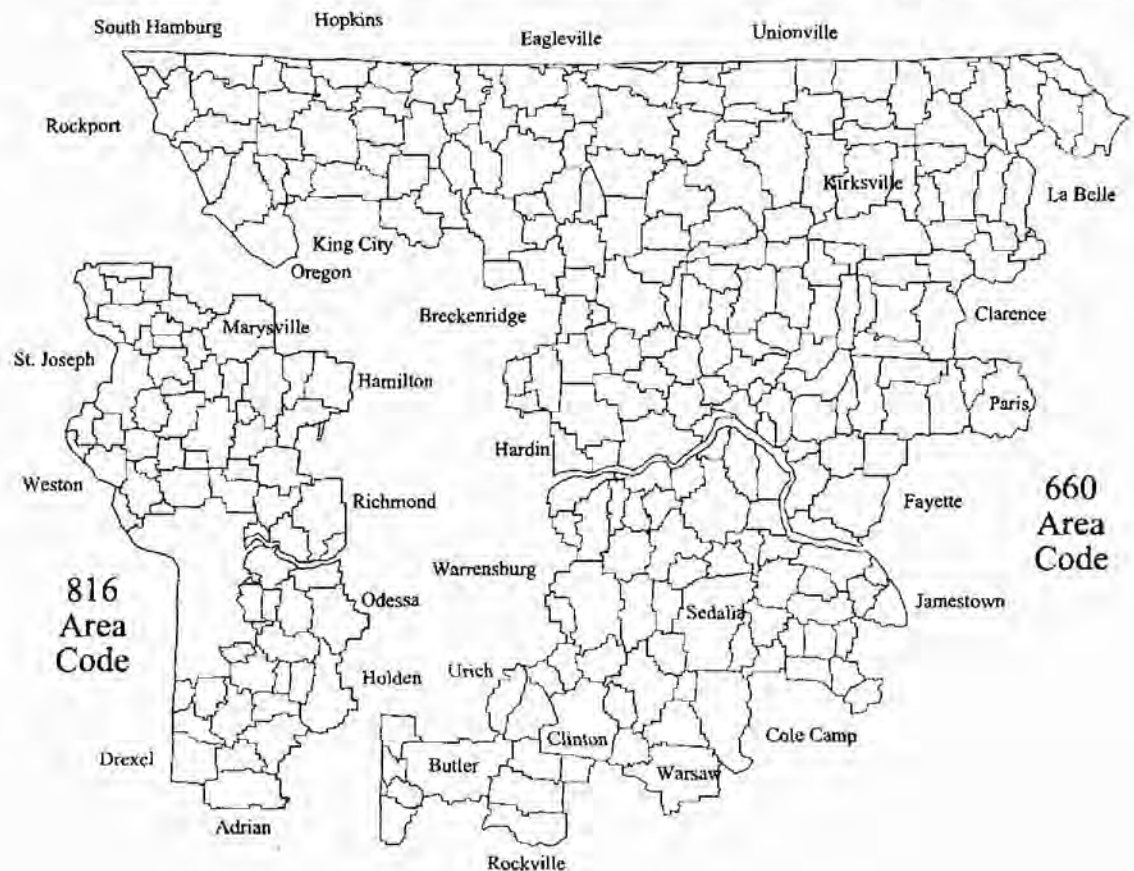
approved intraLATA presubscription plans for several companies, including GTE Midwest Inc. and United Telephone Company of Missouri d/b/a Sprint.

Once this issue is settled, the Commission anticipates the benefits of competition will become much more evident within the intraLATA toll market.

TELEPHONE NUMBER SHORTAGES CREATE NEW AREA CODE

To alleviate the exhaustion of available telephone numbers in Missouri's 816 area code, the Commission in April 1997 created a new 660 area code for the outstate regions of the existing 816 area code.

In its decision, the Commission determined the Kansas City metropolitan area, KC Metropolitan Calling Area (MCA) exchanges,



as well as St. Joseph and those exchanges which have extended area service to St. Joseph would retain 816. Exchanges currently in the 816 area code but outside the area named above (such as Warrensburg, Sedalia, Maryville, Boonville, Marshall and Kirksville) received the new **660 area code**.

Permissive dialing, when either area code will work for those exchanges moving to the new 660 area code, began in October 1997. Mandatory dialing begins on April 19, 1998.

The Telecommunications Department continues to meet with industry representatives investigating the future number resource needs throughout Missouri. The St. Louis 314 area code, much smaller since the 573 area code was created from its outstate regions in 1996, is expected to need additional relief in the near future. The 417 area code covering the southwest portion of Missouri, and the 573 area code covering the east-central portion of the state, have adequate number resources available for at least the next several years.

EDUCATION DISCOUNTS

Twenty-eight local telecommunications companies provide discounts to schools for local telephone service. The discounts range from 20% to 50% off the basic local exchange rate. Many of the companies offer a discount on other services such as trunks, custom calling features, wideband digital service and multi-point video service. The Commission is in the process of establishing a rule which would provide schools

located throughout Missouri access to discounted basic local exchange service rates.

The Commission also adopted the Federal Communications Commission's (FCC's) method for determining additional discounts to schools and libraries. These additional discounts are funded through the federal universal service fund. These discounts range from 20% to 90%, depending on certain parameters. Most Missouri schools should qualify for at least a 40% discount. Taken together, these discounts should provide significant savings to schools in addressing the telecommunications service needs of education in Missouri.

The PSC, along with the Office of the Public Counsel and Southwestern Bell, have attempted to provide additional benefits to schools located in Southwestern Bell territory. In 1997, 75 schools will receive grants from Southwestern Bell to provide assistance in establishing distance learning or other telecommunications needs. The grants range from \$2,500 to \$35,000 per school. These grants are the result of a resolution of a prior earnings investigation of Southwestern Bell. In addition to providing grants to schools, a special field trial project is being developed with MOREnet. This trial will connect a high bandwidth network of six schools and four support organizations in the St. Louis area. In addition, several telecommunity centers were opened in October of last year providing an advanced telecommunications center to various locations in Missouri.



Photo courtesy of Southwestern Bell.

RELAY MISSOURI AND THE ADAPTIVE TELEPHONE EQUIPMENT PROGRAM

The Missouri Commission oversees the administration of the Relay Missouri service and the Adaptive Telephone Equipment Program. The Relay Missouri service began in 1991 and provides hearing and speech-impaired citizens access to the telephone network. A communications assistant translates a call so that a hearing/speech impaired party can communicate with any other party.

The number of Relay Missouri calls continues to increase each year. A 13 member advisory committee assists the PSC in ensuring the Relay Missouri service continues to provide a valuable service.

The Adaptive Telephone Equipment Program (ATEP) began on July 1, 1997. ATEP is designed to provide telephone equipment to hearing and speech-impaired citizens which will enable users to use a basic telephone access line. This program was established as the result of state legislation (SB 525, 1996 session). The program was developed through the input of the speech and hearing-impaired community, the telephone industry and other parties.

Relay Missouri and the ATEP are funded through the monthly Relay Missouri surcharge. A \$.13 per month surcharge is applied to all telephone lines in Missouri. The surcharge is reviewed at least every two years but not more than annually. The surcharge has remained at \$.13 since July 1995.



A communications assistant translates a call at the Relay Missouri Center.

Sprint has provided the Relay Missouri service since its inception. Sprint also provides the administrative support for the Adaptive Telephone Equipment Program.

QUALITY OF SERVICE

The Technical Service Section of the PSC's Telecommunications Department monitors the quality of telephone service in Missouri. During the past year the Technical Service Section has performed audits of 18 telephone central offices. The section has also solved hundreds of service related consumer complaints.

The Technical Service Section also helps telephone companies solve technical telephone service problems. Many of these problems involve power influence which is a problem commonly described by consumers as a disturbing humming sound on the telephone line. The hum is produced by unbalanced electrical power lines.

During the past year the number of multi-party lines in Missouri has been reduced from approximately 19,000 to 9,000. Seven out of 43 local telephone companies still have multi-party service. Three of the seven companies will modernize and completely eliminate multi-party service by the end of 1997. As a result of an agreement reached in a complaint case, the modernization schedule for one of the remaining companies was moved up from year end 1999 to year end 1998. The Technical Service Section regularly attends tele-

phone industry meetings as well as meetings with the electric industry. The section is also involved each year in the State Emergency Management Agency disaster preparedness exercises.

CERTIFICATES/TARIFFS

The Commission grants certificates of service authority to provide interexchange, local exchange, basic local exchange, shared tenant services and private payphone services. During the past year, the Commission granted 202 certificates for entities seeking to provide the above services.

All interexchange and local telephone companies are required to file and maintain tariffs with the Commission. During the past year, the Commission received 660 telecommunications tariff filings. This number is up from the 620 filings the year before (see chart).

MISSOURI UNIVERSAL SERVICE FUND

The Telecommunications Department held several meetings

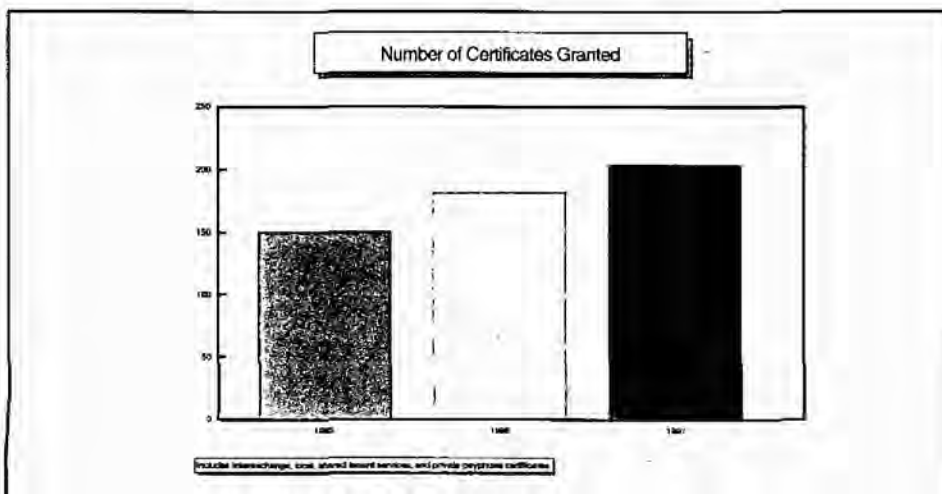
with the telephone industry and other interested parties concerning the creation of a Missouri Universal Service Fund. A proposed rule was filed with the Secretary of State. Creation of the fund is the result of state legislation.

The fund is intended to provide financial assistance to companies which serve high cost areas and qualifying low income/disabled customers. The fund also is anticipated to provide financial assistance to telecommunications companies that experience reduced federal universal service funding.

The Missouri fund, once enacted, will be funded by all telecommunications companies.

FEDERAL PARTICIPATION

The Missouri Commission has been very active during the past year in proceedings pending before the FCC. The Commission routinely monitors federal telecommunications regulatory activity. As a result of this monitoring, the Commission filed comments in numerous proceedings at the federal level.



The Commission is interested in helping shape federal policy to improve telecommunications service offerings in Missouri.

NEW CHALLENGES

REVISE/UPDATE COMMISSION RULES

The Telecommunications Department is in the process of revising and updating all Commission rules pertaining to the regulation of telecommunications services. The revisions are seen as necessary to reflect the increased competitive nature of providing telecommunications services. Included in this effort is the establishment of a 911 rulemaking designed to ensure 911 service providers are updated in a timely manner as more companies begin to provide basic local exchange service. These rules will also address quality of services issues, billing standards and slamming.

ANALYZE TELECOMMUNICATIONS COMPETITION IN MISSOURI

The Commission continues to actively monitor the degree of competition within the telecommunications industry. Presently Southwestern Bell and other incumbent local exchange carriers are banned from providing interLATA telecommunications services. The Federal Telecommunications Act permits the lifting of the ban when robust competition exists in a local exchange market.



Staff member Myron Couch analyzes high power influence cable pairs.



Staff member J.C. Stock tests telephone equipment to ensure compliance with PSC quality of service standards.

NATURAL GAS

The natural gas industry is experiencing dramatic changes because of federal deregulation and new Federal Energy Regulatory Commission (FERC) mandates. Setting natural gas rates is a much more complex procedure than in the past.

Individual customers, especially large commercial and industrial customers, may purchase gas on the open market at the best price available and have it transported to them pursuant to federal and state "transportation" programs.

The PSC Staff must strive to determine rates which achieve adequate return without forcing customers to alternate between natural gas or oil markets.

NATURAL GAS FREQUENCY/PRORATION ISSUES

During the 1996-1997 winter season, the price of natural gas was extremely volatile nationally and reached new highs for Missouri's local distribution companies (LDCs) and its customers. Not only were the Purchased Gas Adjustment (PGA) filings frequent, but the magnitude of the changes were significant as well. These two elements combined to cause confusion among gas consumers, opportunities for billing errors among the gas utilities and concern to regulators.

As a result of these problems, on April 1, 1997, the PSC Staff and each investor-owned LDC filed joint motions to open cases and

establish procedural schedules to address:

- ◆ the frequency of the PGA changes;
- ◆ the proration changes on the consumers monthly bill.

Stipulations and Agreements ultimately have been reached with nine of the ten LDCs. Incorporated in the three largest LDC's PGA clause are experimental price stabilization plans designed to minimize cost fluctuations to the LDC and consequently to the consumer. Once the stipulated changes are implemented, the new process should result in:

- ◆ reduced customer rate shock and confusion;
- ◆ reduced number of PGA filings;
- ◆ a simplified and equitable proration billing procedure; and
- ◆ reduced opportunities for billing errors.

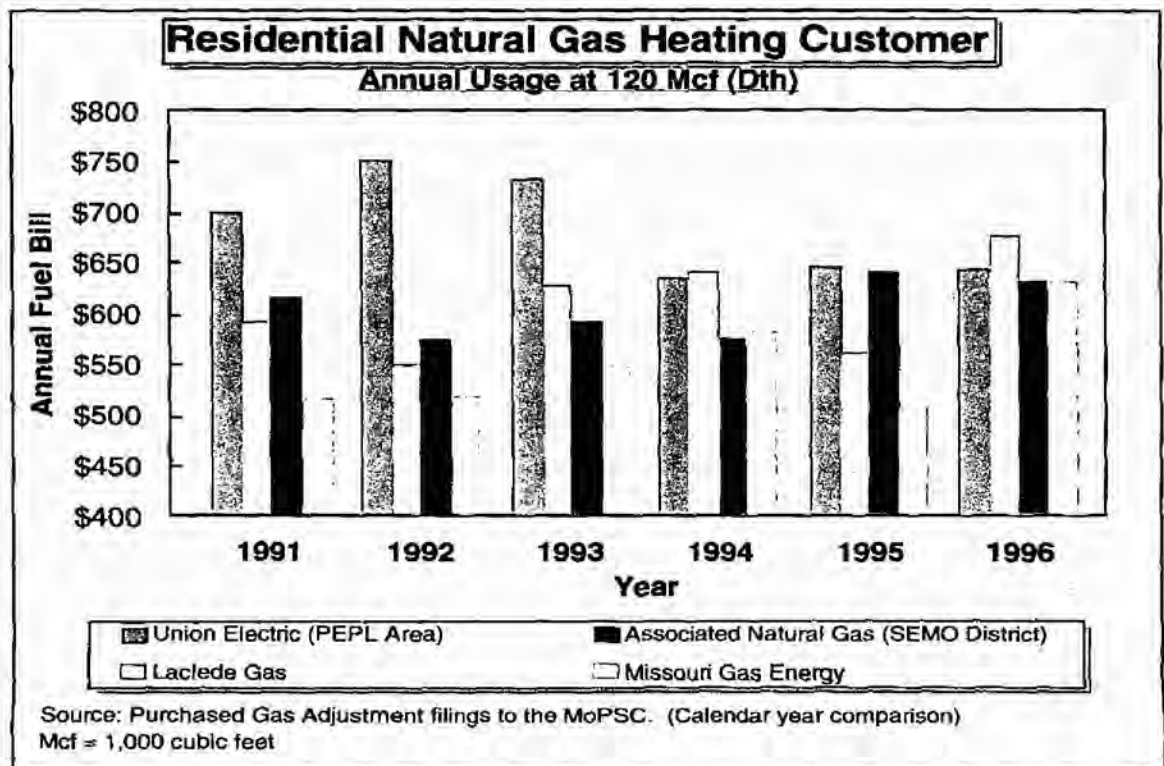
NATURAL GAS INCENTIVE PLANS

During this past fiscal year, Missouri Gas Energy (serving primarily the Kansas City area) and Laclede Gas Company

(serving primarily the St. Louis area) participated in Commission authorized experimental incentive pilot programs. In such programs, the participating LDC is extended certain incentives related to its natural gas purchasing practices.

While somewhat different in their administration, both incentive plans embodied similar characteristics. The program basics were:

- ◆ to the extent that the LDC could secure its system supply costs below a benchmark set by the Commission, the LDC's stockholders were allowed to retain a portion of the savings. If the LDC's procurement costs were greater than the established benchmark, then its stockholders would be liable for a share of the costs over the benchmark.





Gas Safety Staff members Steve Fischer and Rick Fennel check a natural gas pipeline installation.

- ◆ to the extent that the LDC could release unneeded interstate pipeline capacity or storage, its stockholders could share in the revenues generated from such releases.

Besides the two provisions listed above, Laclede's program contained two additional provisions. One allows its stockholders to share in any discounts of firm contracted interstate pipeline capacity which it is successful in negotiating. The other provision allows Laclede to market gas to customers and other marketers where the final consumption will occur off Laclede's system. Stockholders are allowed to retain a share of the monies collected in excess of the costs to provide the service.

Evaluations of these experimental programs will take place during the 1998 fiscal year period.

BILLING ERROR AUDIT OF MISSOURI GAS ENERGY

During the 1996-97 winter heating season, the Staff of the Missouri Public Service Commission conducted a thorough investigation into billing errors and billing related issues involving Missouri Gas Energy and thousands of its customers who received incorrect bills.

The Staff focused its efforts in two primary areas:

- ◆ ensuring that the proper refunds were made to affected customers; and
- ◆ ensuring that the same types of

billing problems do not occur in the future.

Missouri Gas Energy officials indicated that failure to meet scheduled meter reading dates was the primary cause for the billing errors. Had the meter readings been completed on Missouri Gas Energy's scheduled dates, the billing errors would not have occurred, according to the company.

According to the PSC Staff, the combination of customers' meters not being read at their scheduled time, the four PGA changes and their effective dates, and the design of the company's customer billing software program resulted in the application of the wrong rates in the calculation of customer bills. In the four month review period of the initial investigation, some customers were overbilled, some underbilled and some were both overbilled and underbilled.

A number of recommendations have been made and implemented by Missouri Gas Energy regarding billing methods and procedures. The PSC Staff will continue to closely review and monitor MGE's progress to ensure proper programs are in place to ensure the billing errors of last winter do not recur.

VARIANCE APPROVED TO ALLOW MGE TO IMPLEMENT AUTOMATIC METER READING PROJECT

The Commission approved a request filed by Missouri Gas Energy which temporarily modifies the company's current meter

testing requirements and will facilitate implementation of MGE's Automatic Meter Reading (AMR) project. MGE sought the variance in order to implement the AMR project.

Under this project, MGE will install on each of its meters an electronic sending unit which electronically reads the meter on which it is installed. MGE stated electronic meter-reading would be faster, more efficient and accurate than the current manual method.

The PSC Staff had recommended approval of the variance on the grounds that implementation of the AMR project would result in more timely and efficient reading of MGE's meters. Staff stated the expedited change-out of the older-style meters alone would result in improvement of the overall accuracy and integrity of the company's meter testing program.

RESIDENTIAL NATURAL GAS BILL ACCURACY REVIEW

Because of the amount of billing and computational problems discovered this past winter on the MGE system in the Kansas City area, a broader review was pursued to make sure similar problems did not exist on other LDC systems.

The review consisted of recalculating customers' bills by comparing the approved PGA factors and their effective dates to those that were actually billed to consumers. The overall evaluation of this review will be completed

sometime during the 1998 fiscal year.

EXPANSION OF NATURAL GAS SERVICE

During FY97, certain Commission actions resulted in two construction projects, one designed to serve a new service area and another to address a unique service need. In one situation, Missouri Public Service, a Division of UtiliCorp United Inc., was granted a certificate to provide natural gas service to consumers in Owensville, Missouri. Construction on the project began in June 1997. Natural gas service to Owensville is scheduled to begin in the Fall of 1997, prior to the 1997-1998 heating season.

Construction of pipeline facilities to Pattonville High School, located in northern St. Louis County in Maryland Heights, began in June 1997. The pipeline will supply methane gas to the school from a privately-owned landfill. The methane gas is recovered from the landfill, processed, and delivered to the high school. The Commission's pipeline safety jurisdiction over these pipeline facilities resulted from HB 589, passed in the 1996 session of the Missouri Legislature.

INTERSTATE PIPELINE PROJECTS IN MISSOURI

Missouri has seen several interstate pipeline expansion projects develop in the state. The Williams Natural Gas Company



Workers install new natural gas pipeline in Jefferson City.

has completed two projects providing additional pipeline capacity to the southwest corner of the state.

KN Interstate has recently completed its Pony Express Pipeline project which will provide significant additional transportation capacity from both central and southwestern Wyoming and Kansas producing areas to markets in the Kansas City area.

Missouri Gas Energy has contracted with KNI for 100,000 Dth/day to be served from KN's Rockport lateral which will deliver Wyoming produced gas with an additional 35,000-50,000 Dth/day to be served from Panhandle through KNI's south Kansas City project.

NATURAL GAS ROUNDTABLES

Roundtables discussing emerging topics and issues have gained in popularity in recent years, especially among utility industries. This type of forum provides for an open exchange of ideas, opinions and information among various stakeholders in a non-confrontational arena. As a consequence, more timely actions are taken and better and more informed decisions are made.

During FY97 the Commission held three natural gas roundtables around the state. In December 1996 a roundtable session was held in Kansas City on the topic of *Social Policy Issues of Change*. In addition to that discussion, a general training session on natural gas basics was held for legislators and others new to the natural gas industry. A second roundtable

was held in February 1997 in Jefferson City to discuss *Natural Gas Unbundling* with a brief refresher on natural gas fundamentals. Finally, in May 1997, a third meeting was held in St. Louis entitled *Understanding and Managing Natural Gas Price Volatility*.

As a result of these roundtables, more formal regulatory activities have resulted on particular topics. For example, as a result of the first roundtable, a tariff proposal was submitted to consider assistance to low-income energy consumers and as a result of the third roundtable, a series of dockets were opened to address the issues of gas cost change frequency and proration of customer bills.

At the conclusion of each roundtable, it has been the practice of the Commission to collect and distribute a compendium of materials presented at these roundtable sessions for future reference and information. More roundtables are anticipated. The topics of the sessions are selected by an Agenda Committee which is comprised of 10 individuals representing a cross-section of industry and public interest.

PROCUREMENT ANALYSIS

In the past year the Procurement Analysis Department has audited ten gas companies for prudent purchasing practices, reliability considerations, and compliance with tariff requirements. The department continues to evaluate the experimental incentive plans of Laclede Gas Company and Missouri Gas

Energy. The department was busy implementing the major reforms instituted to change the Purchased Gas Adjustment procedure so that filings are less frequent. It also played an instrumental role in developing financial instruments to lessen the impact of gas price volatility and addressing inquiries related to the gas price swings in the winter of 1996-97. The department also participates in rate cases and certificate cases where gas inventories and gas pricing needs to be analyzed.

FUTURE CHALLENGES IN THE NATURAL GAS INDUSTRY

Competition and consumer choice seem to be topics creeping more and more into the daily discussions and dialog of regulators, consumers, utilities and energy providers. The challenge for the next several years will be to dissect and evaluate various ways of delivering gas service in the future. As in the telecommunications and health care industries, significant changes may need to be made.

Issues of obligation to serve, utility company affiliate relationships, social consequences and responsibilities of change, consumer protection measures, service reliability, the changing role of regulators and regulations, and of course cost are just some of the topics that will need to be discussed in the months and years ahead.

FEDERAL NATURAL GAS ACTIVITIES

Decisions by the Federal Energy Regulatory Commission (FERC) directly impact Missouri ratepayers since Missouri's natural gas local distribution companies (LDCs) must use FERC-regulated interstate pipelines for delivery of their natural gas supplies. The Commission believes its involvement in FERC and related judicial proceedings is necessary to ensure that Missouri natural gas consumers receive reliable service at reasonable rates.

While there are ten interstate pipelines directly serving Missouri with an additional six or so pipelines utilized by Missouri LDCs, the Commission actively participates in various rate and tariff proceedings of Mississippi River Transmission Corporation (MRT), Panhandle Eastern Pipe Line Company (Panhandle), and Williams Natural Gas Company (Williams). These three pipelines provide service to the majority of the state's natural gas consumers. MRT serves the eastern side of the state, including St. Louis. PEPL traverses the central part of the state. While Williams serves western Missouri, including the Kansas City, St. Joseph, Springfield and Joplin areas.

- ◆ On September 30, 1997, FERC issued an order which agreed with the MoPSC's assertion that Williams imprudently entered into the gas purchase contracts which are generating the GSR costs now being incurred. If the FERC's



Gas Safety Staff members John Kottwitz and Amy Brox check for compliance during natural gas pipeline installation.

PUBLIC SERVICE COMMISSION

decision stands, Missouri customers will be entitled to complete refunds of the \$7 million of costs previously recovered by Williams. Also Williams' ability to pass through to consumers the ongoing costs being incurred under these contracts will be greatly diminished.

- ◆ The Commission supported an appeal which sought review of FERC's decision to limit Kansas producers' liability for refunds of ad valorem taxes. The favorable outcome of that appeal this year should yield an estimated additional \$50 million in refunds to Missouri consumers starting in 1998.
- ◆ In April 1997, as a result of a settlement in Williams' most recent rate case, Docket No. RP95-136, Missouri LDCs received \$16.5 million in refunds and accrued interest related to the period August 1, 1995 through March 30, 1997, as well as reduced rates going forward.
- ◆ The Commission used four of its staff to present expert testimony in MRT's pending \$14.7 million rate increase application, Docket No. RP96-199. Parties were able to negotiate a settlement prior to the start of the hearing in this case, whereby St. Louis customers will receive significant refunds for rates paid since October 1, 1996. With the settlement, those customers will also see a

further \$3 million per year rate reduction beginning with the period July 1, 1997 through October 31, 1999.

- ◆ The Commission has submitted comments in several dockets regarding the continued funding of the research and development (R&D) activities of the Gas Research Institute (GRI). Because of the inequities of the current funding scheme, the Commission supports the concept of GRI adopting a voluntary funding approach when its current funding mechanism expires December 31, 1998.

ELECTRIC

As required by state law, the PSC Staff continually monitors the operation and maintenance of the electric power industry throughout Missouri. Good management is essential to reduce plant operating costs, provide safe and reliable service and to assure plants will continue to operate for their design life.

ELECTRICITY RATES

The efforts of Missouri's electric utilities and the PSC have benefited all classes of Missouri consumers with low electricity rates. The U.S. Energy Information Administration, a non-partisan office in the federal Department of Energy, annually ranks the states according to their

average rates in cents per kilowatt hour. For 1996, Missouri's electric rates for residential, commercial and industrial customers were better than the national average (see tables at right).

TASK FORCE ON ELECTRIC COMPETITION

A national debate is now underway to determine whether the electric industry should be restructured to permit customers to choose their supplier of electricity and thus change the current system of monopoly franchises.

The Commission has determined that it should lead the inquiry into technical, financial and consumer issues to assure the public of a smooth transition to retail competition (in the event that legislation authorizing it is enacted either nationally or by the Missouri General Assembly).

As a result, in May the Missouri PSC named a 35-member task force to focus on retail electric competition issues in Missouri under the direction of its General Counsel.

The task force is to prepare comprehensive reports to the Commission, based upon thorough investigation and study, that recommend how Missouri should implement retail electric competition.

Any decision to implement electric retail competition in Missouri would require changes in current Missouri law. Such a decision rests with the Governor and the General Assembly. Development of the task force

establishes a formal means by which the Commission will be able to identify the risks and benefits of retail electric competition in Missouri.

A final task force report with recommendations is due by February 1998.

MERGER ACTIVITIES: KANSAS CITY POWER & LIGHT

In late May, Western Resources, Inc. and Kansas City Power & Light Company (KCPL) filed an application with the PSC seeking Commission approval to merge the two companies. Under the proposed merger, KCPL would be merged with Western Resources and Western Resources would be the sole surviving entity.

The Joint Applicants maintain the proposed merger is not detrimental to the public interest in that the combined financial strength, lower operating costs and "synergies" of the merged companies will benefit ratepayers, stockholders and employees alike.

This case is currently pending before the Commission.

In January 1996, KCPL filed a joint application with UtiliCorp United, Inc. seeking approval to merge the two companies. In April of 1996, Western Resources, Inc. filed a competing application with the PSC seeking to merge with Kansas City Power & Light. Meeting on August 16, 1996, Kansas City Power & Light stockholders failed to ratify the merger with UtiliCorp and the application was eventually withdrawn.

RESIDENTIAL		
State Name	Avg. Revenue (cents/kwh)	State Rank
Hawaii	14.2	1
New York	14.1	2
New Hampshire	13.6	3
California	11.3	9
Vermont	11.2	11
Illinois	10.4	12
U.S. Average	8.4	
Iowa	8.2	20
Kansas	7.8	23
Missouri	7.1	32
Wisconsin	6.9	37
Kentucky	5.7	49
Idaho	5.3	50
Washington	5.1	51

COMMERCIAL		
State Name	Avg. Revenue (cents/kwh)	State Rank
Hawaii	12.9	1
New York	12.1	2
New Hampshire	11.4	3
Vermont	10.2	8
California	9.7	10
Illinois	8.0	14
U.S. Average	7.8	
Kansas	6.7	27
Iowa	6.6	29
Missouri	6.1	36
Wisconsin	5.7	42
Kentucky	5.2	47
Washington	4.9	50
Idaho	4.3	51

INDUSTRIAL		
State Name	Avg. Revenue (cents/kwh)	State Rank
Hawaii	10.0	1
New Hampshire	9.2	2
California	7.1	8
Vermont	7.0	9
New York	5.3	13
Illinois	5.3	14
Kansas	4.7	20
U.S. Average	4.6	
Missouri	4.5	25
Iowa	3.9	39
Wisconsin	3.7	42
Kentucky	2.9	49
Washington	2.9	50
Idaho	2.7	51

State Rank: States ranked 1-51 from the most costly electric rate (cents/kwh) to the least costly.

Source: US Energy Information Administration

Western Resources announced that it would continue to pursue its plan to merge with Kansas City Power & Light.

UNION ELECTRIC

On February 21, 1997, the Missouri Public Service Commission approved the merger of Union Electric Company (UE) and CIPSCO, Incorporated. The merger results in the formation of Ameren Corporation, a public utility holding company. Union Electric and Central Illinois Public Service Company (CIPS) will be operated as subsidiaries of Ameren, which will be based in St. Louis.

As part of the Commission's approval of the merger, UE will be required to join an Independent System Operator (ISO) which will oversee the nondiscriminatory operation of UE's electric transmission system.

Under the agreement, UE will not seek to recover in Missouri the merger premium (approximately \$232 million) associated with the merger between UE and CIPSCO.

The settlement agreement also stated that actual prudent and reasonable merger transaction and transition costs (estimated to be \$71.5 million) would be amortized over 10 years beginning on the date the merger closes.

As part of the agreement, UE has committed to filing an experimental "retail wheeling" pilot program for 100 megawatts of electric power. Such programs allow customers to buy electricity on a retail basis from energy providers other than the local

utility. By approving the agreement, the Commission agreed to consider the proposal to be submitted by UE.

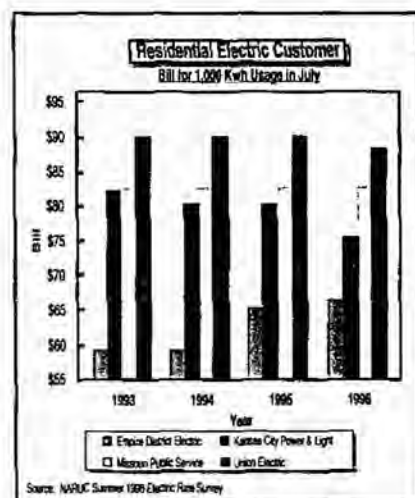
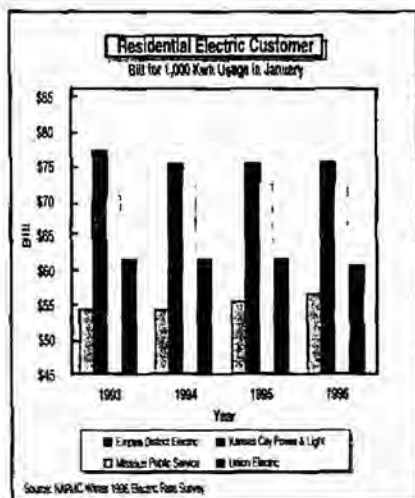
The agreement also calls for continuation of UE's current experimental alternative regulation plan. The plan, which allows customers to benefit from the efficient operations of the company, was to have concluded on June 30, 1998. The agreement continues the plan through June 30, 2001. Sharing between UE shareholders and its customers will occur if UE's return on equity is above 12.61 percent.

KANSAS CITY POWER & LIGHT RATE REDUCTION

During the 1997 fiscal year, Kansas City Power & Light filed tariffs implementing the second phase of a \$20 million electric rate decrease.

Under phase I of the agreement approved by the Commission, KCPL reduced electric revenues by approximately \$9 million in July 1996. Under phase II, KCPL reduced its electric revenues by an additional \$11 million in January 1997. For a typical residential customer, electric rates dropped by approximately 2 percent.

The agreement approved by the Commission in July 1996 was the result of an earnings review of KCPL as well as a comprehensive review of the Company's rate design as ordered by the Commission in a previous case.



UNION ELECTRIC BILL CREDITS

In December 1996, the Commission approved a one-time bill credit of approximately \$43.6 million for electric customers of Union Electric Company (UE). This bill credit represented the first year of an experimental alternative regulation plan approved by the Commission for UE in July 1995.

A typical residential customer received a bill credit of approximately \$13.50 during the first quarter of 1997.

In July 1995, UE became the first regulated electric utility in Missouri to operate under an experimental alternative rate regulation plan. Under the plan, customers will benefit from the efficient operations of the company by sharing in company earnings if those earnings reach a certain level.

TERRITORIAL AGREEMENTS

On July 5, 1996, Union Electric Company (UE) and Macon Electric Cooperative (Macon) filed for a territorial agreement in which approximately 3,000 UE customers in 18 communities will be transferred to Macon. Approximately 1,000 customers of Macon in the Moberly and Brookfield areas will be transferred to UE. Macon presently serves the rural area surrounding the 18 communities and UE serves Brookfield and Moberly.

This agreement will reduce duplication of electric facilities and allow each utility to concentrate on providing service to customers located closer to service personnel.

Hearings were held on October 1-2, 1996. The Commission approved the agreement on October 29, 1996 and it became effective November 8, 1996 (Case No. EO-97-6).

On October 31, 1996, the City of Gallatin (City) and Farmers Electric Cooperative (Farmers) filed a territorial agreement which defines the service area of the City and Farmers. The agreement allows the City to provide service to an area southwest of the City which they plan to annex at a later date. The agreement allows Farmers to serve an industrial park, currently outside of the City, but to continue serving the industrial park if it is annexed into the City at a later date. A hearing was held on January 17, 1996. The Commission approved the agreement on February 18, 1996 and it became effective on February 28, 1996 (Case No. EO-97-181).

On May 7, 1996, UE and Consolidated Electric Cooperative filed a territorial agreement for Audrain County. No facilities or customers are transferred in the agreement. The Commission approved the agreement in August 1997.

FREAK SNOWSTORM HITS WESTERN MISSOURI

The Kansas City area experienced the worst snow storm in weather-recorded history on October 22, 1996. The effects of the storm were compounded by leaves still remaining on many of the trees. This storm caused an extensive power outage which



PSC engineers David Elliott, Syed Ahmed, and a UE customer service engineer inspect a substation transformer panel.

affected approximately 175,000 customers of Kansas City Power & Light Company and Missouri Public Service, a division of UtiliCorp United, Inc.

Based upon that outage, the PSC Staff took a detailed look at the company's emergency plans. The review included the company's response to the outages caused by the storm, the effectiveness of its telephone systems as well as management of outside crews and tree trimming policies.

Staff's report indicated that both KCPL and Missouri Public Service had emergency plans in place and executed them. Both companies reacted early to assemble restoration crews from other regions not affected by the snow. The decentralized method used by KCPL and Missouri Public Service to manage the additional crews was determined to be an appropriate response to the emergency.

Staff recommended KCPL improve its telecommunications system since the system was overwhelmed by the volume of calls created by the magnitude of the outage. Appropriate corrective action has been taken by KCPL to improve its communication system.

REAL-TIME PRICING

Real-time pricing provides an opportunity to improve the efficiency of electric power consumption by pricing energy usage at market-based prices reflecting the incremental cost of supply. Real-time prices

encourage customers to increase electricity usage during hours in which costs are lower than the customer's value of using electricity and reduce usage during hours in which costs are higher than customer value. The optional real-time pricing programs approved by the Commission for Kansas City Power & Light and The Empire District Electric Company retain embedded cost recovery for the utility companies while allowing customers access to market-based prices.

WATER & SEWER DEPARTMENT

The Water and Sewer Department conducts routine field inspections of all PSC regulated water and sewer companies. Staff normally conducts these inspections on a regularly scheduled basis. Staff also conducts inspections in conjunction with audits of company requests for rate relief and during investigations of customer service complaints. The purpose of these investigations is to determine:

- ◆ the overall condition of the systems;
- ◆ the appropriateness of the supply, storage and distribution facilities;
- ◆ the quality of service that the companies are providing; and
- ◆ whether the systems are operating in compliance with Commission rules and Department of Natural Resources (DNR) regulations.



Photo courtesy of Kansas City Power & Light Company.

Staff personnel also work with the DNR regarding companies' compliance with environmental regulations. While the DNR has primary jurisdiction over the enforcement of federal/state environmental regulations, the Water and Sewer Department works closely with regulated companies to ensure that they make necessary system improvements in the most cost effective manner possible.

These aspects of the field inspection program will become even more important as federal and state regulations and enforcement policies change. While such changes would affect all regulated firms to some degree, they will have a much greater impact on smaller companies and their ratepayers.

As in the past, the PSC continues to experience a growth in the number of certificate applications filed by new water and sewer utilities established to serve residential developments. Another trend in the industry is the consolidation of small water and sewer companies with larger regulated utilities or with unregulated municipalities or public districts. Many of these small utilities have experienced financial or operational problems. The PSC's role in such matters is to determine whether the sale of the company is in the public interest, where the promise of better service is often coupled with imminent rate increases.

EIERA LOAN PROGRAM

In 1992 the Missouri Environmental Improvement and Energy Resources Authority (EIERA) and the PSC established a small water and sewer company revolving loan program. Currently, EIERA has made seven loans to small water and sewer companies that were not able to borrow money from any other source. The interest rate on these loans was fixed at the prime rate when the loan closed. The companies must use their loan proceeds from this program for capital improvements in water or sewer system facilities that are necessary for the company to provide safe and adequate service.

However, Staff believes that additional resources are needed to address the continuing and increasing needs of small companies that require substantial capital improvements to meet and comply with state and federal environmental standards. Hopefully, additional monies will be made available through the EIERA/PSC loan program or through other revolving loan programs that the DNR administers.

In many cases, Missouri's small water and sewer utility companies are not financially strong enough to secure the funds necessary to make the required improvements. Without some form of assistance, these companies may not be able to meet the DNR's water and wastewater standards or to continue to provide safe and adequate service to their customers.



Jim Merciel and United Water Missouri manager John Hollenbach discuss plant operations.

METROPOLITAN ST. LOUIS SEWER DISTRICT

A report issued in March 1996 by a task force investigating the St. Louis Metropolitan Sewer District (MSD) recommended that the sewer and storm-water service for the St. Louis region be provided by an investor-owned public utility regulated by the PSC. Subsequently, the Mayor of St. Louis and the St. Louis County Executive appointed 25 members to a MSD Conversion/Implementation Committee. This Committee was charged with determining whether converting MSD to a regulated investor-owned public utility was feasible, or whether other options regarding the restructuring of MSD were more viable.

In addition to the MSD Conversion/Implementation Committee, a Joint Legislative Interim Committee was formed to study and investigate the operations of MSD.

The Manager of the Water and Sewer Department worked closely with the MSD Conversion/Implementation Committee during its deliberations and attended many Committee meetings to monitor its activities and progress. The past PSC Chair also met with the Committee in the early stages of its work. Additionally, the Department Manager and one Commissioner testified before the Joint Legislative Interim Committee during local public hearings that it held in the St. Louis metropolitan area. The current PSC Chair served on both the MSD

Conversion/Implementation Committee and the MSD Joint Legislative Interim Committee prior to being appointed to the PSC.

The MSD Conversion/Implementation Committee issued its final report and recommendations to the Mayor of St. Louis and the St. Louis County Executive on April 28, 1997. In this report, the Committee concluded that converting MSD to an investor-owned utility through an asset sale was not feasible. However, the Committee did make several recommendations regarding changes to the overall structure, operation and oversight of MSD.

The key recommendation made by the MSD Conversion/Implementation Committee as far as the PSC is concerned is that the MSD charter and state statutes be changed so that MSD would become regulated by the PSC essentially as if it were an investor-owned utility. This would include PSC involvement in such matters as the setting of rates and standards of customer service, monitoring the provision of safe and adequate service and approving new debt issuances. As presented, the recommendation was directed at both the MSD's wastewater and stormwater services. The PSC has never regulated the provision of stormwater control services and is unaware of any state public utility commission that does so.

The Joint Legislative Interim Committee issued its report on May 7, 1997. In its report, this committee recommended that the PSC be granted authority to regulate MSD in its new form "on

or after the effective date of any adopted amendments to the District's charter", with such authority to be granted through the passage of appropriate legislation.

The MSD Conversion/Implementation Committee's recommendations are now before the MSD's Board of Trustees for its consideration and possible implementation. Implementation of the Committee's recommendations would most likely come through Board approved charter amendments that would be placed before the voters in MSD's service area. As previously noted, legislative action would also be required by the General Assembly, if MSD's constituents voted to place it under PSC jurisdiction, before PSC jurisdiction could become effective.

ELECTRIC SAFETY

The Staff has initiated meetings with safety managers from all across the state to discuss safety issues and to seek ways to educate the workmen and the public as to the potential work-place hazards. The investor-owned electric utilities, cooperatives and municipal electric systems have participated by sharing information and discussing problems encountered in daily operations.

Two statewide meetings were held during the year with the

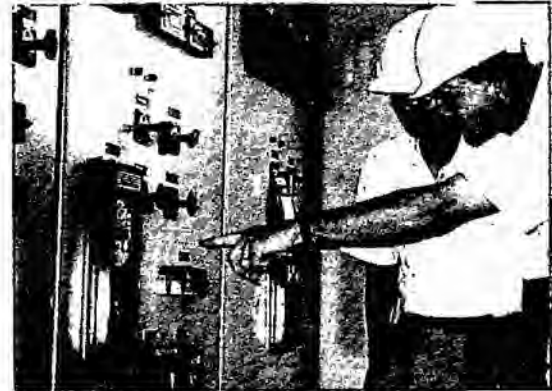
objective to elevate the consciousness of workmen and the public in working around and using electricity safely.

The PSC Staff is participating in an alternative approach to rulemaking for the U. S. Department of Transportation Federal Pipeline Safety Regulations. An Operator Qualification Negotiated Rulemaking Committee, consisting of 14 members representing various organizations that would be affected by the operator qualification rulemaking was formed through application to and approval by the Secretary of the U. S. Department of Transportation (DOT). The Federal Mediation and Conciliation Service is serving as the facilitator for the Negotiated Rulemaking Committee.

The negotiated rulemaking process is being used for the first time in the DOT for Pipeline Safety Regulations. DOT believes that the negotiated rulemaking process will provide the opportunity for affected parties to present their views and to reach consensus on a pipeline operator personnel qualification rule.

The Negotiated Rulemaking Committee will develop a draft regulation with a preamble to be presented to and used by the DOT as a proposed rulemaking for eventual inclusion in the Federal Pipeline Safety Regulations.

SAFETY ISSUES



Staff engineers Jim Ketter and Tom Lin read instruments in a substation control room.

The goal of developing regulations through the negotiated rulemaking process is to reach consensus by the parties most affected by the rulemaking and reduce the level of negative comments that are received when the rule is published and thereby facilitate implementation of a regulation that has been developed by the parties affected by the new regulations.

PIPELINE SAFETY RISK MANAGEMENT

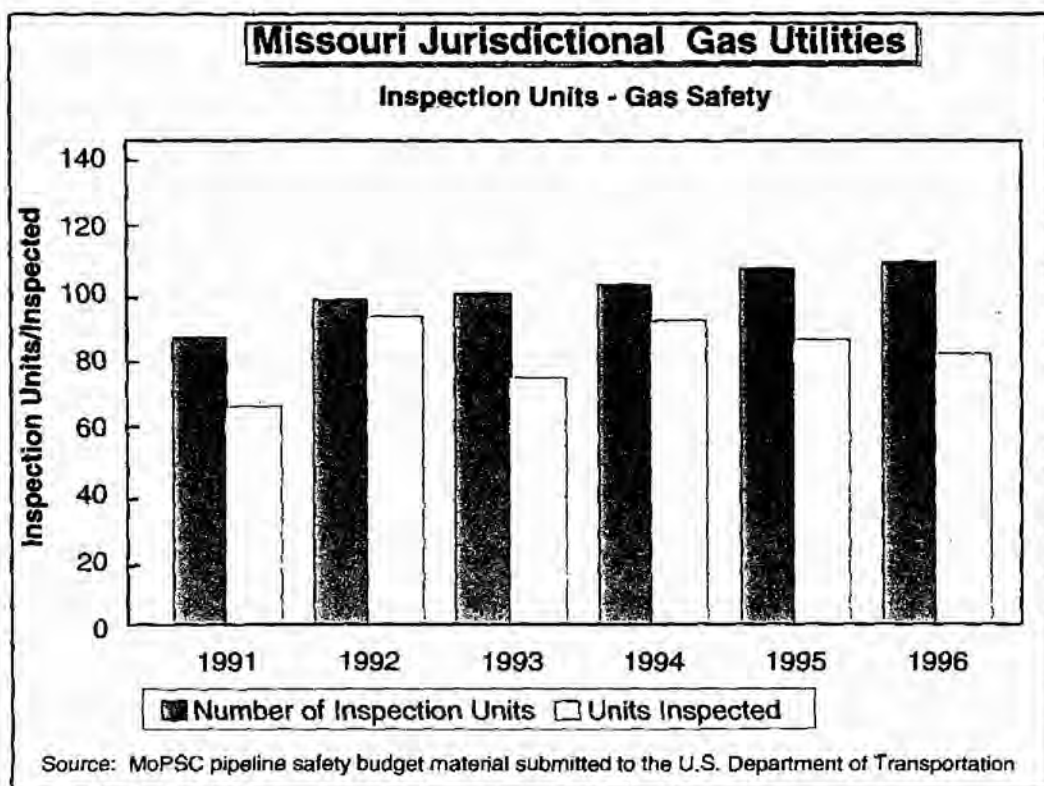
The PSC participated in the development of a risk management technical standard that is being used by interstate transmission companies to prepare and submit company-specific risk management plans for

consideration by DOT, as an alternative to the existing pipeline safety regulations. The project was supported by Congress, DOT and the pipeline industry.

The technical team was formed under the sponsorship of the Office of Pipeline Safety, the American Petroleum Institute, the Interstate Natural Gas Association of America with support from the National Association of Regulatory Utility Commissioners, the National Association of Pipeline Safety Representatives, and the Gas Research Institute. The technical team, comprised of 16 participants from a cross-section of the industry, developed the risk management standard that is being used by the interstate transmission companies to establish and submit risk management demonstration

projects to DOT for consideration.

The risk management demonstration projects are intended to assess the feasibility of applying risk management techniques to the pipeline industry and to determine the most effective way to implement risk management programs.



MANAGEMENT SERVICES DEPARTMENT

The Management Services Department's (MSD) mission is to develop, enhance, and support utility management practices which provide quality services to customers and effective cost control of critical resources (such as capital, technology and people). Management Services staff work actively to:

- ◆ Educate utilities on:
 - ☛ Strategic Planning
 - ☛ Financial Management
 - ☛ Customer Services
 - ☛ Automation
 - ☛ Documentation
 - ☛ Human Resources
- ◆ Identify strengths and weaknesses in present utility management practices and recommend process improvements.
- ◆ Maintain communications with utilities to promote a free exchange of information, ideas and experiences.
- ◆ Provide on-site management services to support and promote effective management practices.

Missouri utilities realized savings of over \$18 million this year as a result of their implementation of recommendations from management audits. These savings will not only result in reduced rates to Missouri

consumers but will also increase the quality of the utility services provided in Missouri. In addition, there are benefits of MSD recommendations that are not quantifiable but produce real improvements, such as more effective record keeping and better automation.

Major projects of Management Services Staff:

- ◆ Conducted an investigation of the customer billing practices of Missouri Gas Energy and were a party to the Staff's filing of a complaint case against the Company for alleged violations of Commission's rules and regulations. The agreement approved by the Commission required MGE to pay a penalty and to implement specific operating procedures and practices to correct the Company's customer billing system problems.
- ◆ Implemented an audit program to review, document and evaluate the customer billing processes, procedures and practices of all regulated utilities operating in Missouri. The objectives of the audit program are to assess the quality of the services provided by each utility company and to make recommendations which would improve the quality of customer service.

SERVICE QUALITY



Management Services Staff review information gathered during a recent audit.

CONSUMER SERVICES DEPARTMENT

The Consumer Services Department investigates complaints and responds to inquiries concerning the PSC's regulated utility companies. Each complaint is assigned to a consumer specialist who acts as an intermediary between the customer and the utility to reach a resolution or provide the requested information.

The PSC has offices in Jefferson City and St. Louis that assist customers. Consumers may contact the Consumer Services Department by using the toll-free Consumer Hotline: (800) 392-4211.

LOW INCOME CONSUMER ISSUES

The Commission has a number of rules which are designed to assist low income consumers with problems related to regulated utilities. The Cold Weather Rule prohibits disconnection of energy services during certain periods of cold weather. The Consumer Services Department monitors the reports on "cold weather rule" activity at the utilities to determine the use and effectiveness of the rule.

The Consumer Services Department also participates in other energy related programs, such as the Committee to Keep Missourians Warm and the Low-Income Energy Task Force. These programs are established to promote ways to assist low income customers with utility bills during extreme weather conditions. The department also has worked to

maintain or increase federal funding of the Low-Income Home Energy Assistance Program (LIHEAP), a federal funding program which provides energy assistance to low income consumers of utility services.

OTHER CONSUMER ISSUES

Competition for Telecommunications Services has raised some new problems for the department. "Slamming," or changing of a customer's designated toll carrier without that person's specific consent, is a major continuing problem. Although the FCC has established rules prohibiting this practice, it continues to show up in telemarketing campaigns and other advertising campaigns if the contact persons are not adequately trained.

The deregulation of local rates for payphone services has raised some questions about charges for directory assistance and other services provided from payphones.

Drastic increases in the cost of natural gas this past winter, coupled with some billing and meter reading problems, caused a tremendous influx of complaints against some Missouri gas companies during this reporting period.

The Consumer Services Department worked with the companies to handle the complaints received and to develop safeguards against future recurrence of the problems which were encountered this past winter.



Candy Ambrose of the Consumer Services Department logs in a consumer complaint.

ORGANIZATIONAL FUNCTIONS

EXECUTIVE DIRECTOR

Cecil I. Wright

The Executive Director is the PSC's chief operations officer. The Executive Director is responsible for the overall administrative functions and the policy direction of the Staff. The Executive Director also serves as the primary liaison between the Commissioners and the Staff.

ADJUDICATION DIVISION

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge

The Secretary/Chief Regulatory Law Judge is responsible for the statutory obligations of the Secretary of the Commission.

A staff of full-time regulatory law judges is utilized to meet the procedural demands of the large volume of contested cases filed with the Commission. Each case is assigned a regulatory law judge on a rotational basis. The regulatory law judge prepares the necessary orders for the Commission's issuance which are required to comply with notice and procedural due process requirements to afford full and fair hearings to the parties on matters before the Commission.

It is the duty of the regulatory law judge to take a case through the hearing and post-hearing process and to draft proposed orders based upon the evidence of record.

ADMINISTRATION DIVISION

Donna M. Kolilis, Director

The Administration Division is responsible for managing the fiscal, personnel, and information resources of the agency and for oversight of the Manufactured Housing Department's regulation of manufactured home dealers and recreational vehicle dealers operating in Missouri. This Division oversees budget development, internal accounting, procurement, staff services, personnel, payroll and training functions for the agency.

GENERAL COUNSEL

Dana K. Joyce, General Counsel

The Office of the General Counsel represents the Staff and Commission in all matters relating to Missouri utility regulation. Its primary duties are litigation, legal research, administrative rule preparation, as well as providing legal advice, upon request, to the Commission and each Commissioner. The Office also represents the Commission in actions involving questions under the PSC or other laws, the defense of Commission orders or decisions and, as directed or authorized by the Commission, the intervention in related proceedings and the prosecution of actions on behalf of the state in the courts and before federal regulatory agencies as authorized by law.

PUBLIC SERVICE COMMISSION

ADVISORY AND PUBLIC AFFAIRS DIVISION

Gordon L. Persinger, Director

The Advisory and Public Affairs Division assists the Missouri Public Service Commission in the achievement of its statutory goals by providing research, technical support and assistance to the Commissioners in matters related to the regulation of utility companies. Advisory members in the group analyze issues in proposed cases before the Commission, federal and state legislation and handle special projects as requested. The Division is also responsible for handling customer complaints against regulated utilities which are received by the Commission. The Commission's Public Information Office and the staff member responsible for analyzing and advising the Commission on legislative activities are also part of this division.

UTILITY OPERATIONS DIVISION

Wess Henderson, Director

The Utility Operations Division is comprised of four departments: Telecommunications, Electric, Gas, and Water and Sewer. It supports the Commission in meeting its statutory responsibilities by providing technical expertise in energy safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The division accomplishes its mission by making recommendations to the Commission in the form of expert testimony and formal recommendations.

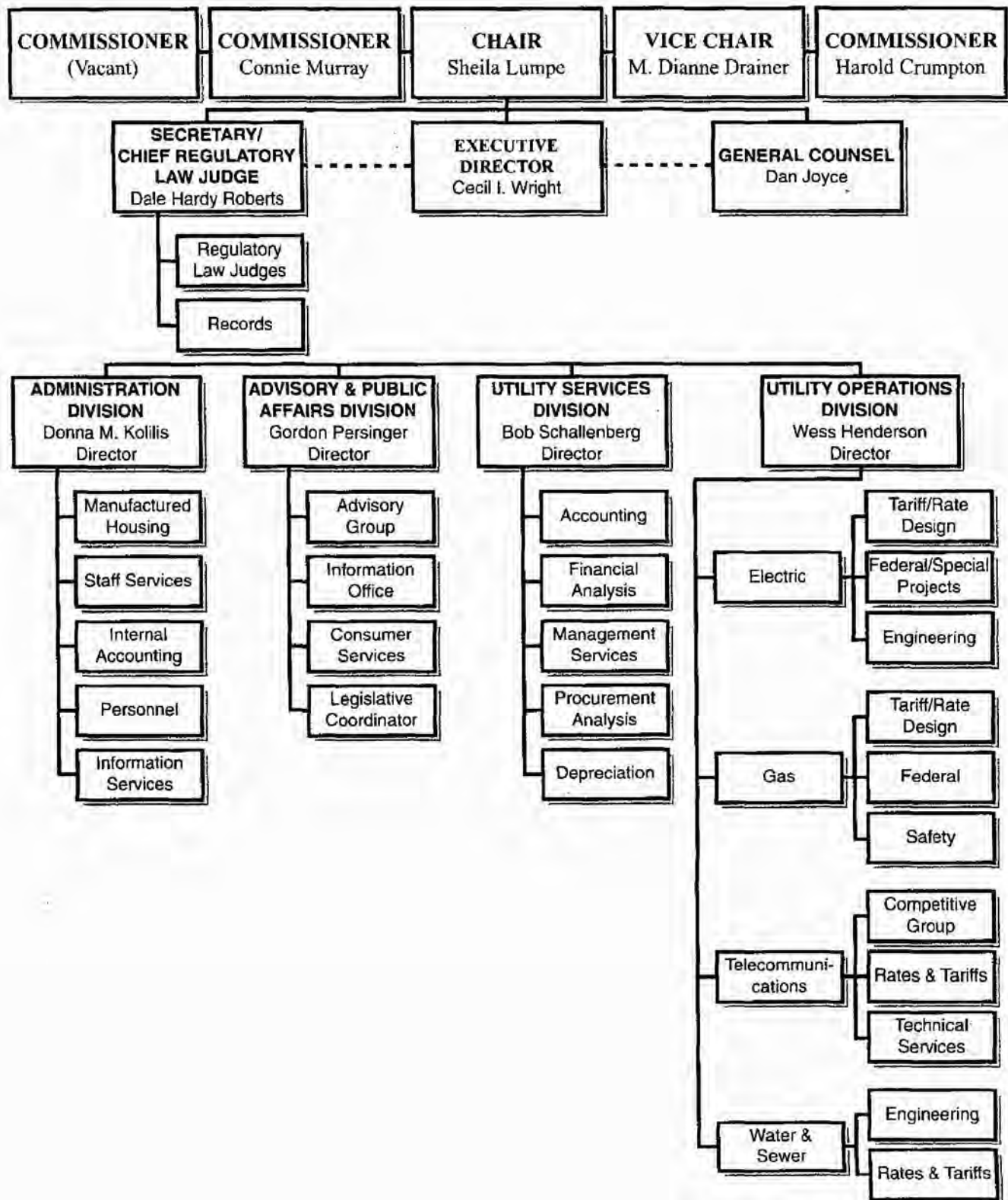
Because of its diverse responsibilities, the Utility Operations Division retains a professional staff with expertise in accounting, economics, finance and engineering.

UTILITY SERVICES DIVISION

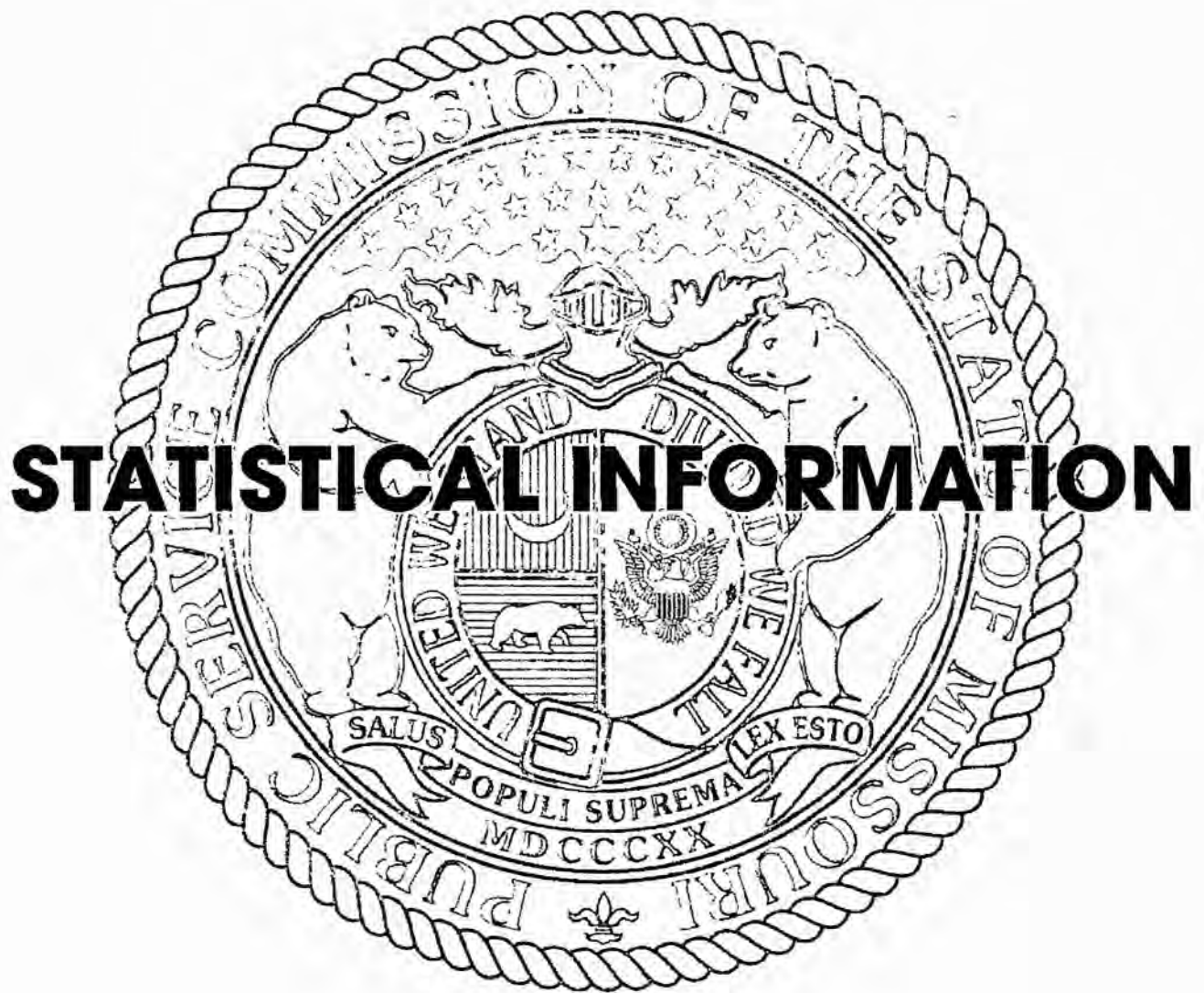
Robert Schallenberg, Director

The Utility Services Division consists of five departments and supports the Commission by providing technical expertise in utility finance, accounting and auditing, natural gas procurement, depreciation analysis and management services. Staff members assigned to the Division accomplish their mission by performing audits and/or reviews of the books and records of the utilities. Staff draws conclusions from these findings and makes recommendations to the Commission in the form of expert testimony and formal recommendations. The Division is also responsible for investigating and responding to consumer complaints and making recommendations to the Commission regarding their resolution.

MISSOURI PUBLIC SERVICE COMMISSION ORGANIZATIONAL CHART



PUBLIC SERVICE COMMISSION



YEAR IN REVIEW



1996

July 3

PSC approves agreement which results in a two phase electric rate reduction of approximately \$20 million for Kansas City Power & Light. The phase I reduction of approximately \$9 million took effect July 9.

July 26

PSC names task force to investigate the most beneficial and cost-effective method of implementing a statewide telecommunications equipment distribution program for individuals unable to use traditional telephone equipment due to disability.

August 14

PSC names Cecil I. Wright Executive Secretary.

August 23

PSC rejects Empire District Electric Company's interim electric rate request of approximately \$4 million.

August 28

PSC issues decision which authorizes Laclede Gas Company to increase annual natural gas revenues by approximately \$9.5 million. Laclede sought \$23.8 million in a December 15, 1996 filing.

August 30

Empire District Electric Company files a \$23.4 million electric rate case with PSC.

September 6

PSC approves first interconnection agreement in Missouri between an incumbent local exchange company (Southwestern Bell) and a new provider of basic local service (Dial US).

October 18

PSC dismisses case involving the proposed electric merger of Kansas City Power & Light, UtiliCorp United, KC United Corp. and KC Merger Sub, Inc.

November 5

Telecommunications technical committee recommends geographic split for the 816 area code.

December 13

Missouri-American Water Company files a \$2.4 million water rate case and a \$6,500 sewer rate case with the PSC.

December 20

Union Electric electric customers receive one-time bill credits of approximately \$43.6 million reflecting the first year of an experimental alternative regulation plan approved in July 1995.

December 20

PSC approves Southwestern Bell's request to offer designated number optional calling plan.

December 31

Dial US receives final approval to provide competitive basic local telephone service; the first one in Missouri.

December 31

PSC issues decision which authorizes the St. Louis County Water Company to increase annual water revenues by approximately \$7.3 million. Company sought a \$14.3 million increase in a February 9, 1996 filing.

1997

January 7

PSC approves phase II of a \$20 million electric rate reduction for Kansas City Power & Light.

January 14

Associated Natural Gas Company files a \$3.7 million natural gas rate case with the PSC.

January 22

PSC grants a \$7.5 million rate increase for Missouri Gas Energy. Company sought approximately \$34 million when it filed its rate case on March 1, 1996.

February 5

PSC approves innovative plan filed by UtiliCorp United to implement an electric transitional aggregation experiment.

February 13

PSC denies \$4 million interim rate request filed by The Empire District Electric Company.

February 21

PSC approves the merger of Union Electric and CIPSCO, Inc.

February 25

Commissioner Duncan Kincheloe announces resignation effective March 5.

February 28

PSC establishes statewide telecommunications equipment distribution program (ATEP) for individuals unable to use traditional telephone equipment due to disabilities.

March 3

PSC names Dana K. Joyce as its General Counsel.

March 7

PSC establishes case to review Community Optional Service (COS).

March 7

PSC establishes case to develop standardized procedures for anchoring manufactured homes.

March 14

St. Louis County Water Company files an \$8.2 million water rate case with the PSC.

March 14

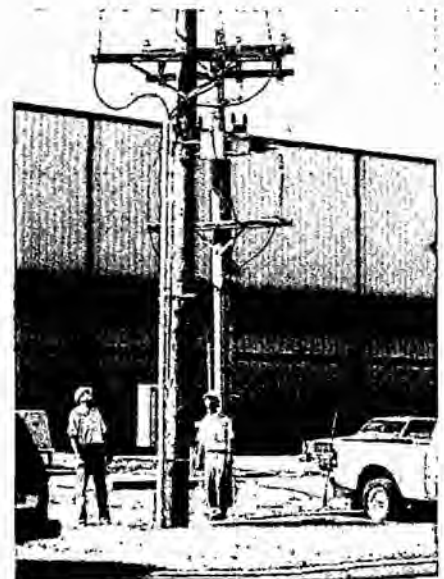
PSC establishes case to implement state universal service fund.

March 18

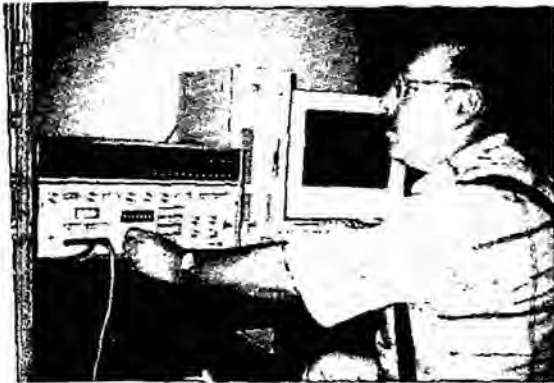
PSC approves \$727,000 electric rate reduction for Citizens Electric Corporation.

March 19

PSC approves the merger of United Cities Gas Company into Atmos Energy Corporation.



PUBLIC SERVICE COMMISSION



March 21

Missouri Public Service (MoPub) files a \$13.2 million electric rate case with the PSC.

March 21

Union Electric Company files a \$14.3 million natural gas rate case with the PSC.

March 28

Commission establishes docket and creates task force to focus on retail electric competition issues.

April 2

Commissioner Kenneth McClure announces resignation effective May 5, 1997.

April 9

PSC determines geographic split should be used to alleviate the exhaustion of available telephone numbers in the 816 area code. Cities such as Warrensburg, Kirksville, Sedalia and Marshall will receive the new 660 area code.

May 2

Connie Murray appointed as Commissioner to the PSC.

May 7

PSC opens case to examine the Purchased Gas Adjustment (PGA) process.

May 15

PSC approves applications filed by Missouri Public Service (MoPub) and Missouri Gas Company to provide natural gas service in and around Owensville.

May 27

PSC names 35-member task force which will focus on retail electric competition issues in Missouri.

June 5

Sheila Lumpe appointed as Commissioner to the PSC.

June 13

PSC approves Kansas City Power & Light's tariffs to provide market-based rates to self-generators of electric power (standby service).

RATE CASE DECISIONS DURING FISCAL YEAR 1997

ELECTRIC

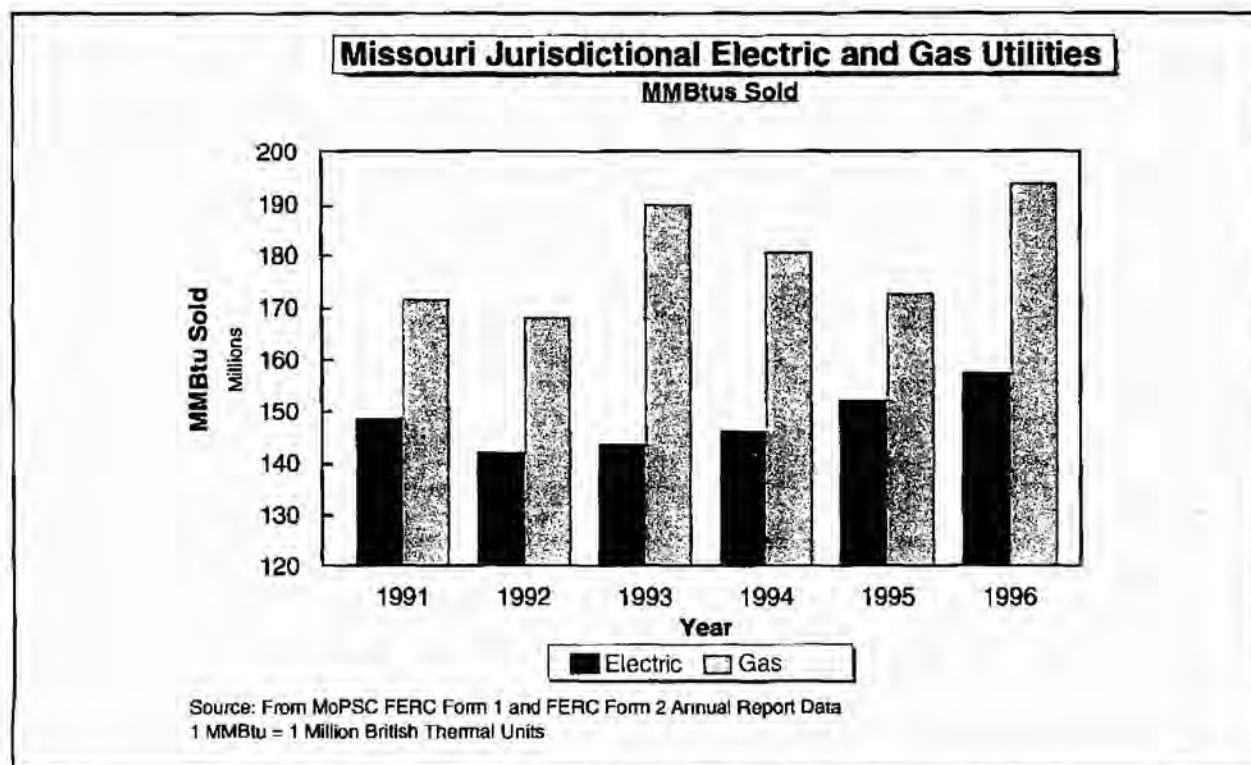
Date of Order	Case No.	Company	Rate Request	PSC Decision
7/3/96	EO-94-199	Kansas City Power & Light ¹	-	(\$9,000,000)
8/23/96	ER-97-43	Empire District ²	\$4,000,000	-0-
12/20/96	EO-96-14	Union Electric ³		(\$43,600,000)
1/7/97	EO-94-199	Kansas City Power & Light ⁴		(\$11,000,000)
2/13/97	ER-97-82	Empire District ²	\$4,000,000	-0-
3/18/97	ER-97-286	Citizens Electric		(\$727,000)

¹ Phase I of \$20 million electric rate reduction.

² Interim rate request.

³ One-time bill credit under experimental alternative regulation plan.

⁴ Phase II of \$20 million electric rate reduction which began in July 1996.



RATE CASE DECISIONS DURING FISCAL YEAR 1997**NATURAL GAS**

Date of Order	Case No.	Company	Rate Request	PSC Decision
8/28/96	GR-96-193	Laclede Gas	\$23,800,000	\$9,500,000
1/22/97	GR-96-285	Missouri Gas Energy	\$34,000,000	\$7,500,000

WATER AND SEWER

Date of Order	Case No.	Company	Rate Request	PSC Decision
12/31/96	WR-96-263	St. Louis County Water	\$14,300,000	\$7,300,000

SMALL WATER AND SEWER

File Number	Company	Effective Date	Amount
9700067	Hillcrest Utility (water)	No Increase Granted	-0-
9700067	Hillcrest Utility (sewer)	No Increase Granted	-0-
9700068	Raytown Water	3-6-97	\$253,700
9700088	Riverside Utility	2-15-97	\$24,066
9700099	Peaceful Valley (water)	Withdrawn by Company	-0-
9700100	Peaceful Valley (sewer)	Withdrawn by Company	-0-
9700143	Spring Valley	5-12-97	\$8,665
9700263	Ozark Water & Wastewater	No Increase Granted	-0-
9700411	Wilden Heights Water	6-16-97	\$1,386

TELEPHONE STATISTICS

COMPANY	ACCESS LINES	EXCHANGES
Southwestern Bell Telephone Co., St. Louis	2,442,520	166
GTE Midwest, Inc., Columbia	435,384	206
United Telephone Co. d/b/a Sprint, Jefferson City	252,228	79
ALLTEL Missouri Service Corp., Little Rock, Ark.	53,992	60
Grand River Mutual Telephone Corp., Princeton	13,943	32
Fidelity Telephone Co., Sullivan	12,778	8
Chariton Valley Telephone Corp., Bucklin	7,318	18
Cass County Telephone Co., Peculiar	6,600	6
Kingdom Telephone Co., Auxvasse	4,673	7
Steelville Telephone Exchange, Inc., Steelville	4,250	4
Mark Twain Rural Telephone Co., Hurdland	4,200	14
Northeast Missouri Rural Telephone Co., Green City	4,075	11
Citizens Telephone Co., Higginsville	3,800	3
Modern Telecommunications Co., Green City	3,745	3
Mid-Missouri Telephone Co., Pilot Grove	3,540	12
Green Hills Telephone Corp., Breckenridge	3,493	13
BPS Telephone Co., Malden	3,361	3
McDonald County Telephone Co., Pineville	3,100	3
Seneca Telephone Co., Seneca	2,845	4
Granby Telephone Co., Granby	2,720	2
Craw-Kan Telephone Cooperative, Inc., Girard, Kansas	2,328	6
Bourbeuse Telephone Co., Sullivan	2,033	1
Ozark Telephone Co., Seneca	2,016	2
Ellington Telephone Co., Ellington	1,737	5
Goodman Telephone Co., Goodman	1,730	2
Rock Port Telephone Co., Rock Port	1,658	2
KLM Telephone Co., Rich Hill	1,400	4
Lathrop Telephone Co., Princeton	1,311	1
Stoutland Telephone Co., Stoutland	1,288	2
Le-Ru Telephone Co., Stella	1,250	2
Iamo Telephone Co., Coin, Iowa	1,142	4
Oregon Farmers Mutual Telephone Co., Oregon	1,130	1
Miller Telephone Co., Miller	1,047	1
New London Telephone Co., New London	924	1
Mo-Kan Dial, Inc., Louisburg, Kansas	727	1
Orchard Farm Telephone Co., St. Charles	726	1
Holway Telephone Co., Maitland	560	2
Choctaw Telephone Co., Halltown	525	1
New Florence Telephone Co., New Florence	442	1
Peace Valley Telephone Co., Peace Valley	390	1
Alma Telephone Co., Alma	352	1
Farber Telephone Co., Farber	238	1
TOTAL	3,293,519	697

Note: Access Lines in use as of July 1, 1997. Billed access lines would be somewhat less.

NATURAL GAS STATISTICS

CALENDAR YEAR 1996 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY		MCFs SOLD 1996	TOTAL OPERATING REVENUES 1996	TOTAL NUMBER OF RESIDENTIAL CUSTOMERS	TOTAL NUMBER OF CUSTOMERS
Associated Natural Gas Co.	(1)	8,113,597	\$ 39,293,932	40,647	46,471
Fidelity Natural Gas, Inc.		123,604	371,016	661	765
Greeley Gas Co.	(2)	59,503	403,379	491	552
Laclede Gas Co.		93,883,391	524,318,192	577,106	615,453
Missouri Gas Energy	(3)	68,880,079	408,418,335	415,235	475,491
Missouri Public Service	(4)	5,391,056	36,767,818	38,127	42,981
St. Joseph Light & Power Co.		980,433	5,622,198	5,460	6,313
Southern Missouri Gas Co., L.C. (5)		277,806	1,617,565	3,750	3,992
Union Electric Co.		14,448,793	82,982,736	91,287	102,556
United Cities Gas Co.		<u>2,556,263</u>	<u>15,096,224</u>	<u>13,567</u>	<u>15,350</u>
TOTALS:		<u>194,714,525</u>	<u>\$ 1,114,891,395</u>	<u>1,186,331</u>	<u>1,309,924</u>

Source: From MoPSC FERC Form 2 1996 Annual Reports (Missouri Jurisdictional)

INTRASTATE PIPELINES		MCFs DELIVERED	REVENUE	TRANSPORTATION CUSTOMERS
Missouri Gas Co.	(6)	1,240,196	\$ 1,609,444	
Missouri Pipeline Co.	(7)	15,076,035	<u>6,084,730</u>	
TOTALS:		16,316,231	<u>\$ 7,694,174</u>	12 *

Notes:

* Cumulative total for Missouri Gas Company and Missouri Pipeline Company

(1) - Associated Natural Gas Co., a Division of Arkansas Western Gas Co.

(2) - Greeley Gas Co., a Division of Atmos Energy Corp.

(3) - Missouri Gas Energy, a Division of Southern Union Co.

(4) - Missouri Public Service, a Division of UtiliCorp United, Inc.

(5) - Tartan Energy Co., L.C., d/b/a Southern Missouri Gas Co., L.C.

(6) - Missouri Gas Co., a Division of UtiliCorp Pipeline Systems, Inc.

(7) - Missouri Pipeline Co., a Division of UtiliCorp Pipeline Systems, Inc.

ELECTRIC STATISTICS

CALENDAR YEAR 1996 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	MWHs SOLD 1996	TOTAL OPERATING REVENUES 1996	TOTAL NUMBER OF RESIDENTIAL CUSTOMERS	TOTAL NUMBER OF CUSTOMERS
Citizens Electric Corp.	771,309	\$ 40,376,775	19,826	21,914
Empire District Electric Co.	3,177,644	163,667,272	99,426	119,100
Kansas City Power & Light Co.	8,028,127	517,201,245	221,753	254,175
Missouri Public Service (1)	3,965,584	270,112,982	164,298	188,587
St. Joseph Light & Power Co.	1,529,465	81,023,511	54,237	61,062
Union Electric Co.	<u>28,746,540</u>	<u>1,811,863,858</u>	<u>939,004</u>	<u>1,070,368</u>
	<u>46,218,669</u>	<u>\$ 2,884,245,643</u>	<u>1,498,544</u>	<u>1,715,206</u>

Source: From MoPSC FERC Form 1 1996 Annual Reports (Missouri Jurisdictional)

(1) - Missouri Public Service, a Division of UtiliCorp United, Inc.

STEAM STATISTICS

CALENDAR YEAR 1996 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	MMBTUs SOLD 1996	TOTAL OPERATING REVENUES 1996	TOTAL NUMBER OF RESIDENTIAL CUSTOMERS	TOTAL NUMBER OF CUSTOMERS
St. Joseph Light & Power Co.	1,838,079	\$ 6,421,887	0	6
Trigen-KC District Energy Corp.	849,622	8,534,446	0	83
Union Electric Co.	<u>*</u>	<u>485,411</u>	<u>0</u>	<u>1</u>
TOTALS:	<u>2,687,701</u>	<u>\$ 15,441,744</u>	<u>0</u>	<u>90</u>

Source: Utility

* Billed on energy use and monthly fee.

WATER STATISTICS

CALENDAR YEAR 1996 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	CUSTOMERS	NAME OF COMPANY	CUSTOMERS
CLASS A		CLASS D (CONTINUED)	
Clarence Cannon Whsl. Water Comm.	13	Hickory Hills Water & Sewer Co.	46
Empire District Electric Co.	4,275	Highway H. Utilities, Inc.	252
Missouri American Water Co.	90,616	Hillcrest Utilities, Inc.	175
Raytown Water Co.	6,742	Kimberling City Water Co.	107
St. Louis County Water Co.	301,386	KMB Utility Corp.	788
Tri State Utility Co.	2,255	Lake Northwoods Utility Co.	18
United Water Missouri, Inc.	10,291	Lakeland Heights Water Co.	124
U. S. Water/Lexington, Mo., Inc.	2,265	Lakewood Manor Limited	31
CLASS B		Little Water Co.	50
CLASS C		LTA Water Co.	85
Ascension Resorts, LTD	387	McCord Bend Water Co.	85
Capital Utilities, Inc.	394	Midland Water Co.	50
Four Seasons Water & Sewer Co.	New	Missouri Utilities Co.	134
I. H. Utilities, Inc.	689	Moore Bend Water Co.	99
Incline Village Water & Sewer Co.	188	Oakbrier Water Co.	42
Loma Linda Development, Inc.	210	Osage Water Co.	49
Middlefork Water Co.	2	Peaceful Valley Service Co.	158
Ozark Mountain Water Co.	339	Port Perry Service Co.	144
Rex Deffenderfer Enterprises, Inc.	831	Public Funding Corp.	184
Riverside Utility Co.	456	Quail Run Water & Land Co.	77
Taney County Utilities Corp.	560	Riverfork Water Co.	34
The Meadows Water Co.	1,008	Roark Water & Sewer, Inc.	67
Terre Du Lac Utilities Corp.	998	Rogue Creek Utilities	102
CLASS D		Roy L. Utilities, Inc.	56
Argyle Estates Water System	48	Shell Knob Estates Utilities, Inc.	49
Camelot Utility Co.	228	S K & M Water & Sewer Co.	213
Cat-Pac Waterworks, Inc.	136	South Jefferson County Util. Co.	158
Cedar Hill Estates Water Co.	171	Spring Valley Estates Water Sys.	112
Central Jefferson County Util.	294	Spokane Highlands Water Co.	24
Emerald Pointe Utility Co.	56	Stockton Hills Water Co.	144
Evergreen Lake Water Co.	66	Suburban Water Co.	151
Foxfire Utility Co.	175	Swiss Villa Utilities, Inc.	84
Franklin County Service Co.	33	The Willows Utility Co.	208
Franklin County Water Co.	145	Valley Woods Water Co.	6
Frimel Water Systems, Inc.	72	Village Water & Sewer Co., Inc.	91
Gladlo Water & Sewer Co.	61	Whispering Hills Water System	52
		White River Valley Water Co.	130
		Wilden Heights Water Co.	21
		Woodland Heights Utilities, Inc.	68
		Woodland Manor Water Co.	86

SEWER STATISTICS

CALENDAR YEAR 1996 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	CUSTOMERS	NAME OF COMPANY	CUSTOMERS
CLASS A		CLASS D (CONTINUED)	
Imperial Utility Corp.	2,764	Lake Northwoods Utility Co.	18
West Elm Place Corp.	4,209	Lincoln County Utilities Co.	128
		Mill Creek Sewers Inc.	74
CLASS B		Missouri American Water Co.	102
Capital Utilities, Inc.	1,225	Missouri Utilities Co.	133
House Springs Sewer Co.	952	M.P.B. Inc.	71
		P.C.B. Inc.	284
CLASS C		Peaceful Valley Service Co.	143
Ascension Resorts, LTD	507	Port Perry Service Co.	80
Cedar Hill Utility Co.	545	Roark Water & Sewer, Inc.	56
Central Jefferson County Util.	294	Rogue Creek Utilities	102
Four Seasons Lake Sites Sewer Co.	14	Roy L. Utilities, Inc.	53
Foxfire Utility Co.	175	Schell Sanitation Inc.	187
Meramec Sewer Co.	750	Shell Knob Estates Utilities, Inc.	44
Ozark Water & Wastewater Mgm't	421	S K & M Water & Sewer Co.	96
Terre Du Lac Utilities Corp.	958	South Jefferson County Util. Co.	120
		Southwest Sewer Corp.	0
CLASS D		S. T. Ventures, LLC	32
Batson Development Co.	252	Stoddard County Sewer Co.	152
Eastern Missouri Utilities Co.	3	Swiss Villa Utilities, Inc.	83
Emerald Point Utility Co.	56	Taney County Utilities Corp.	77
Franklin County Service Co.	48	Taneycomo Highlands, Inc.	16
Gladlo Water & Sewer Co.	61	The Meadows Water Co.	266
Hickory Hills Water & Sewer Co.	44	The Willows Utility Co.	208
Highway H. Utilities, Inc.	51	Timber Creek Sewer Co.	50
Hillcrest Utilities, Inc.	175	Valley Woods Water Co.	6
Incline Village Water & Sewer Co.	174	Village Water & Sewer Co., Inc.	91
KMB Utility Corp.	214	West 16th Street Sewer Co.	93
L W Sewer Corp.	185	Woodland Heights Utilities, Inc.	68
Lake Carmel Development Co.	16	WPC Sewer Co.	47
Lake Hannibal Sewer Corp.	22		

CONTACTING THE PSC

The Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The Commission is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

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